AGRICULTURAL RELIEF

HEARING

BEFORE

THE COMMITTEE ON AGRICULTURE
HOUSE OF REPRESENTATIVES

SEVENTY-FIRST CONGRESS

FIRST SESSION

Serial A—Part 2

MARCH 27 AND 28, 1929

UNITED STATES
GOVERNMENT PRINTING OFFICE
43414 WASHINGTON : 1929

COMMITTEE ON AGRICULTURE

HOUSE OF REPRESENTATIVES

SEVENTY-FIRST CONGRESS, FIRST SESSION

GILBERT N. HAUGEN, Iowa, *Chairman*

FRED S. PURNELL, Indiana.
THOMAS S. WILLIAMS, Illinois.
CHARLES J. THOMPSON, Ohio.
JOHN C. KETCHAM, Michigan.
THOMAS HALL, North Dakota.
HARCOURT J. PRATT, New York.
FRANKLIN W. FORT, New Jersey.
FRANKLIN MENGES, Pennsylvania.
AUGUST H. ANDRESEN, Minnesota.
CHARLES ADKINS, Illinois.
JOHN D. CLARKE, New York.
CLIFFORD R. HOPE, Kansas.
ELBERT S. BRIGHAM, Vermont.
VICTOR S. K. HOUSTON, Hawaii.
JAMES B. ASWELL, Louisiana.
DAVID H. KINCHELOE, Kentucky.
MARVIN JONES, Texas.
HAMPTON P. FULMER, South Carolina.
THOMAS A. DOYLE, Illinois.
WILLIAM W. LARSEN, Georgia.
WILLIAM L. NELSON, Missouri.

L. A. DARNELL, *Clerk*

LIBRARY OF CONGRESS
RECEIVED
APR 3 1929
DOCUMENTS DIVISION

ARR. 4/25/29

CONTENTS

Statement of—	Page
Dr. Anson Marston	95
Mr. William H. Marshall	104
Mr. C. W. Connell	118
Mr. S. J. Cottington	146
Mr. C. O. Moser	161
Mr. E. Clemens Horst	188
Mr. George Shibley	196

AGRICULTURAL RELIEF

HOUSE OF REPRESENTATIVES,
COMMITTEE ON AGRICULTURE,
Thursday, March 28, 1929.

The committee met at 10 o'clock a. m., Hon. Gilbert N. Haugen (chairman) presiding.

The CHAIRMAN. The committee will come to order. The first witness is Doctor Marston.

STATEMENT OF DR. ANSON MARSTON, DEAN OF ENGINEERING, IOWA STATE COLLEGE, AND PRESIDENT OF THE AMERICAN ASSOCIATION OF LAND GRANT COLLEGES AND UNIVERSITIES

Doctor MARSTON. Mr. Chairman and gentlemen of the committee, I do not expect to take up more than a few minutes of your time. I am not going to tell you about the American Association of Land Grant Colleges and Universities, because this committee is thoroughly familiar with their work.

That association feels a vital interest in this question of farm relief, and wishes to render any service that it can. It has two suggestions which I wish to bring before you in a very brief and formal manner and in connection with which I would like permission to file a written statement with the committee.

The first of these suggestions is that the extension of our mechanic arts research work would be of special value.

The CHAIRMAN. It does not appear that your testimony has any bearing on what we term the farm relief question, the establishment of a board, and so forth. The committee has adopted a rule limiting the discussion to that question. Will your testimony be brief?

Doctor MARSTON. Yes.

The CHAIRMAN. How long will it take?

Doctor MARSTON. Not more than 10 minutes.

Mr. ASWELL. It seems to me that research work has a vital bearing on farm relief.

Mr. PURNELL. I do not understand that the witness is not addressing himself to the question before the committee.

The CHAIRMAN. I only want to live up to the rules.

Mr. ASWELL. Research work has a very vital bearing on the question, it seems to me.

The CHAIRMAN. By unanimous consent, Doctor Marston may proceed for 10 minutes, and the additional statement he has may be filed for inclusion in the record.

Mr. PURNELL. I still do not understand why unanimous consent should be asked for Doctor Marston to address the committee, because he is discussing the question of farm relief.

Doctor MARSTON. I intended to talk on the question of farm relief. That is the point of my remarks.

The CHAIRMAN. In connection with the creation of a board.

Doctor MARSTON. Yes.

The CHAIRMAN. You may proceed.

Doctor MARSTON. The two suggestions which the American Association of Land-Grant Colleges and Universities presents in connection with farm relief are these: The extension of mechanic arts research work in the utilization of agricultural waste and the other is that we ask the committee to adopt a provision for extension, although I am not going to offer a definite suggestion there, because the time might not be advisable for the completion of the provision for extension which was proposed in the original Capper-Ketcham Act. I am not going into the details of that, because you are probably more familiar with that than I am, and Mr. Ketcham is a member of the committee. In connection with the extension of mechanic arts research work, we have been asked to take up that work by the American Farm Bureau Federation, after they considered it for a time.

We are also asked by the American Society of Agricultural Engineers to inaugurate a farm campaign for the utilization of waste. The utilization of waste is an important matter. This whole question of the mechanization of agriculture is of importance in lessening the cost of production. On this I do not wish to take up the time of the committee, but I would like to file a written statement. This contains a 1-page statement about the measure. It contains the outline of a measure which might be incorporated in the form of a relief bill. It is based upon and follows very closely the Purnell bill for a corresponding provision for agricultural experimentation work. This provides for joint work in connection with agricultural experiment work. Then, attached to this statement, in addition to the résumé and a 1-page text of the measure, which might be incorporated in the form of a bill, there is a letter from the president of the American Society of Agricultural Engineers, and a letter from the representative of the American Farm Bureau Federation dealing with that question.

Now, I think that is all I care to say, except as you may wish to ask me questions.

The CHAIRMAN. The clerk has just handed me a telegram from the Governor of Iowa, with reference to Doctor Marston, and it may be read into the record at this point. The clerk will read the telegram:

(The clerk read the telegram, as follows:)

MARCH 22, 1929.

Hon. G. N. HAUGEN,
House of Representatives, Washington, D. C.:

Dean Anson Marston, of Ames, will be in Washington to interview you with reference to Federal aid for mechanic-art research to engineering experiment stations. Very important that research in an effort to create greater uses in the by-products of agriculture essential. Will appreciate your favorable consideration of Dean Marston's request.

JOHN HAMMILL, *Governor of Iowa.*

The CHAIRMAN. Are there any questions, Mr. Purnell?

Mr. PURNELL. As I understand it, you have not considered, either in your Association of Land Grant Colleges or in an individual capacity, the question of the establishment of a farm board, or any machinery that might be set up in connection with such a board.

Doctor MARSTON. I am not authorized to speak for the association on that, but I control a 320-acre farm in Iowa, next to Mr. Haugen's county, and I am interested in it in a personal way.

Mr. PURNELL. In your individual capacity, or as the representative of the Association of Land Grant Colleges and Universities, do you care to say anything at all about that? If so, we will be glad to hear from you on that subject.

Doctor MARSTON. I am very strongly in favor of such a measure, but on that I am speaking in my individual capacity. I will say that I listened to Mr. Hoover's St. Louis address, and I was very much struck with his statement that the farm-relief problem is so broad that it requires a number of things to be worked out. I would suggest that this mechanic arts research work is in line with that suggestion. We believe that in each State there should be research work done in connection with the utilization of the agricultural waste in those States. In my own case, or on my own farm, if I had been able last year to sell my cornstalks at a corn-stalk factory, such as we have built up in connection with mechanic arts research work in our college, it would have added approximately 10 per cent to my net income from my farm, the accounts of which I have just been balancing up.

Mr. PURNELL. Can you tell us anything about the setting up of a Federal farm board, and such other machinery as may be necessary in carrying out the general purposes of a farm-relief program?

Doctor MARSTON. I am not able to advise you there, feeling that my advise would be as good as your own ideas about such an organization, because you have probably given more thought to it, but I am very much in favor of the general plan. I am in favor of the development of cooperatives to the largest extent possible. I belong to three myself. I realize that it is a very great problem, and I think that you are proceeding in the right way to solve it.

Mr. PURNELL. That is all.

Mr. FULMER. It is your contention that the importance of research work along the lines you have been talking about is such, or that it would be such, that we ought to take up that proposed legislation, along with any other farm-relief measures we may have in this extra session of Congress?

Doctor MARSTON. Yes.

Mr. FULMER. It would be just as important as almost any other bill that we might pass in the way of farm-relief legislation.

Doctor MARSTON. Relatively, yes. I think that fundamentally it is very important. I feel that the fundamentals of farming are like those of any other industry, and that we must reduce our cost of production to the lowest practicable degree. To that end, we must utilize our waste products and have the development of the manufacturing industries that will grow along with that program. Those industries, of course, will create additional markets right at home where the agricultural products will not have to be transported so far or passed through so many hands.

Mr. FULMER. In fact, we have been spending millions of dollars to increase production but have spent very little in research work to find new uses for the consumption of that enlarged production. It is your idea, now, that we ought to branch out into that research line of work?

Doctor MARSTON. Yes.

Mr. FULMER. I agree with you on that line.

Mr. ASWELL. Would it not be practicable and advisable for this board to be empowered with authority to handle this waste problem, and to proceed directly with the necessary research work?

Doctor MARSTON. I think so.

Mr. ASWELL. Might that not be involved in this very bill?

Doctor MARSTON. I think that possibly that might be done. In this measure, as we have outlined it, we have not put down the exact governmental administrative agency that should administer it. We felt that it was your problem to insert the particular agency, rather than ours.

Mr. ASWELL. You stated that the farm bureau had sent you a letter.

Doctor MARSTON. Yes, sir; from their representative.

Mr. ASWELL. From Mr. Gray?

Doctor MARSTON. Yes, sir.

Mr. ASWELL. He writes about everything, and says the same thing over and over again. Does he say the same thing there that he has said before?

Doctor MARSTON. This is a letter addressed to me as president of the Association of Land Grant Colleges and Universities.

Mr. ASWELL. I was wondering if there was anything new in the letter. If it is something we have been hearing very often, there will be no use in printing it again.

Doctor MARSTON. I do not think he has presented this before.

Mr. ASWELL. How do you stand on the equalization fee at this time?

Doctor MARSTON. I am frank to say that I have been in favor of the McNary-Haugen bill.

Mr. ASWELL. How do you stand on it now?

Doctor MARSTON. I have not changed my opinion very much.

Mr. ASWELL. You do not think you could get very far with it now, do you?

Doctor MARSTON. No, sir. In saying that, I would like to add that on the question of the equalization fee, I have not felt that I was well enough informed to tell whether it would work out or not, but I would try it.

Mr. ADKINS. Referring to this board that it is proposed to set up, and these marketing agencies and stabilization corporations, or whatever you might call them, that are to be used in the attempt to control the surplus and to raise the price, is it your notion that they should be owned, controlled, and operated by the cooperatives?

Doctor MARSTON. I am not quite certain that I catch the point of your question.

Mr. ADKINS. The general suggestion is that we will wind up with a provision creating stabilization corporations, or some corporations to handle the surplus.

Doctor MARSTON. Yes.

Mr. ADKINS. Now, is it your opinion that they should be owned and controlled by the cooperatives?

Doctor MARSTON. I am not prepared to say as to that. I have thought of this as a Government organization or agency which was being introduced, and which would have some official function in connection with any cooperatives that would be established.

Mr. ADKINS. I do not understand that it will go into business itself, except in an advisory capacity. Of course, some agency will have to handle this stuff, as was provided for in the McNary-Haugen bill except if this board did not find any cooperatives back of it, it could back private enterprise and employ it to do the work.

Doctor MARSTON. Yes, sir.

Mr. ADKINS. What is your notion about this proposition, where we have no equalization fee provided? Would you have the stabilization corporation controlled by the farmers themselves through the cooperatives?

Doctor MARSTON. I wish to qualify what I have to say now in two ways: First, I am not speaking for the Association of Land Grant Colleges and Universities, and, secondly, in stating my personal opinion, I do not claim to be qualified to advise you gentlement on the details, or how the problem should be worked out. I am in favor of the general principle that the farmers themselves should have a very vital part in connection with any agency that is set up. Is that far enough for me to go in answer to your question?

Mr. ADKINS. Yes.

Doctor MARSTON. In connection with what I said about the equalization fee a while ago, I wish to say that I was for the McNary-Haugen bill, but I realize that there are changes to be made.

The CHAIRMAN. I think the committee will have to have hearings on this particular measure that you have referred to, and when it comes up, I hope you can be here.

Doctor MARSTON. Yes; I would like to be.

The CHAIRMAN. We would like to have an expression from you on that measure at that time.

Doctor MARSTON. Is it possible for you to give me any idea of the date?

The CHAIRMAN. No; I am sorry that I can not, but I presume it will come up immediately after this measure is out of the way. It is one of the measures on our schedule, and we will be glad to have your testimony.

Mr. BRIGHAM. I assume that there is some possibility of relief to the farmers through decreasing their cost of production.

Doctor MARSTON. I think that is one thing which should be carried as far as practicable.

Mr. BRIGHAM. And that is what you have in mind in connection with your extension of mechanic arts research work, and in connection with your extension program?

Doctor MARSTON. Yes.

Mr. BRIGHAM. How great, in your opinion, are the possibilities of decreasing the cost of production?

Doctor MARSTON. Each man naturally thinks of his own personal affairs, and that may be a very small measuring stick to

apply to matters as big as this. In my own case, I believe that my net income from my farm in northern Iowa might have been increased 10 per cent, possibly, in that way.

Mr. BRIGHAM. Generally, throughout the State of Iowa, according to your observations, how much could the cost of production be decreased by a better use of machinery and the employment of better methods of production?

Doctor MARSTON. I think it might be decreased to that extent, or even greater, but that would be a process of some years. I do not think it would ever equalize or overcome the situation where the things which we have to buy for our farms and families are on a higher level than are the things we have to sell.

Mr. BRIGHAM. But you think the most efficient farmers might make money under these conditions?

Doctor MARSTON. Yes.

Mr. KETCHAM. Following that suggestion you have just made, suppose now that all the farmers in the United States to-morrow morning should suddenly become alive to the value of the ideas you have expressed and should proceed to adopt that plan and put it into operation on all the farms of Iowa. Suppose they should have such opportunities or should be so situated that they could do what you have suggested should be done, what would be the effect upon the production of farm crops throughout the whole country?

Doctor MARSTON. I do not believe that that would be a sufficient remedy.

Mr. KETCHAM. The point I am getting at is this: While your suggestion and the suggestion of Mr. Brigham are very excellent ones, so far as the individual farmer is concerned, yet, when you come to talk about a program of agriculture which is to be put into the fullest operation, that plan would make the surplus proposition that we have at the present time as much worse than it is now as you could possibly imagine. While it may be a desirable theory to advocate, so far as an individual farmer is concerned, as a broad proposition it would seem to fall of its own weight, because the statement is made by men who have gone into the subject thoroughly that one-half of the land plus one-half of the people who are now engaged in agriculture could produce more foodstuffs and raw materials than we need. Therefore, it seems to me that, while an excellent plan for the individual, the scheme does not offer a solution of this question from the standpoint of the whole farm problem.

Doctor MARSTON. I was following out the line of President Hoover's remarks at St. Louis, where he said that the agricultural situation is so broad that it will require a number of formulas to work out the solution. One thing may solve it in one locality and some other thing in another place. I do believe that one important matter to be considered is the difference to the farmer between his cost of production and his receipts. Now, if we can lower his cost of production, I do not see why that can not be done without necessarily increasing his production. If that could be done, it would help to increase the spread between his cost of production and his income. However, that is not sufficient, in my judgment, to secure him the price which he should have for his products.

Mr. KETCHAM. Of course, if you could follow that program out to its logical conclusion, there would be no use of our having any hearings here, because the whole program would be the problem of the individual farmer. Do you think that is the situation or do you believe that we can ever reach the problem in that way?

Doctor MARSTON. No.

The CHAIRMAN. We thank you for your statement.

Mr. KINCHELOE. Mr. Chairman, what is the purpose in having these rules printed and distributed at our places here at the table?

The CHAIRMAN. They have been printed for the information of the committee. They can be referred to instead of having to answer these questions that are constantly arising.

Mr. KINCHELOE. If we start out with these rules, we should observe them.

(Doctor Marston submitted the following statements for inclusion in the record:)

PROPOSED BILL EXTENDING FEDERAL AID TO MECHANIC ARTS RESEARCHES DIRECTLY BENEFICIAL IN THE DEVELOPMENT AND MAINTENANCE OF THE MECHANIC ARTS INDUSTRIES IN THE SEVERAL STATES, SUCH MECHANIC ARTS RESEARCHES TO BE CONDUCTED BY THE ENGINEERING EXPERIMENT STATIONS OF THE SEVERAL LAND-GRANT COLLEGES

This measure is advocated by the Association of Land Grant Colleges and Universities, which has voted to place the measure first on the association's list of requested Federal legislation, and which is urging it as a part of the farm-relief legislation of the special session of Congress.

The measure is supported by the American Farm Bureau Federation and by the American Society of Agricultural Engineers as a part of the farm-relief program, as per letters attached hereto.

The measure is advocated as an important factor in farm relief; through additions to farm incomes by utilization of agricultural wastes; through development of wider and more efficient use of machinery, power, and engineering methods in farming; through improvement of highways and rural transportation; through the extension of modern conveniences to farm homes; and through the expansion of home markets for agricultural products by well-rounded development of the mechanic arts industries in each State.

A suggested text for the measure is attached hereto. It provides that special attention shall be given to the utilization in the mechanic arts industries of trade wastes, including agricultural wastes. An example of such mechanic arts researches is the research now being conducted at Iowa State College under the direction of Dr. O. R. Sweeney in the utilization of cornstalks for making lumber substitute, paper, and a variety of other useful industrial products. The United States is already cooperating in this particular research through the medium of the Bureau of Standards. Similar researches are needed in the other States and for utilizing other wastes.

The Federal aid will be for conducting mechanic arts researches of direct benefit in establishing and maintaining well-balanced mechanic arts industries in each State and territory, including the promotion of the welfare of the industrial populations. The measure is believed to be an important part of a wise program of well-rounded industrial development in the United States. The amount suggested is $50,000 per annum in each State.

The text of the measure parallels very closely the text of the Purnell Act, already successfully in force since 1925, extending additional Federal aid to agricultural experiment stations in the land-grant colleges. The new measure is essential to complete and balance the program of Federal aid to industrial researches in the land-grant colleges and universities.

AN ACT To authorize an annual appropriation in order to aid in mechanic arts researches in engineering experiment stations organized in and otherwise supported by the colleges established in the several States and Territories under the provisions of an act approved July 2, 1862, entitled "An act donating public lands to the several States and Territories which may provide colleges for the benefit of agriculture and the mechanic arts," and of the acts supplemental thereto

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That there is hereby authorized to

be appropriated the sum of $50,000 for each fiscal year, beginning July 1, 1929, to be paid to each State and Territory in which an engineering experiment station, maintained regularly by funds not provided in this act, has been established and organized, or shall be established and organized within three years after the passage of this act, by a college established in accordance with the provisions of an act approved July 2, 1862, entitled "An act donating public lands to the several States and Territories which may provide colleges for the benefit of agriculture and the mechanic arts," and of the acts supplemental thereto; and the Secretary of ——— shall include the sums authorized in this act to be appropriated in the annual estimates of the Department of ———, or in a separate estimate, as he may deem best.

SEC. 2. The funds appropriated pursuant to this act shall be applied only to paying the necessary expenses incurred by the said engineering experiment stations in conducting investigations and making experiments bearing directly on the preparation, manufacture, use, distribution, and marketing of mechanic arts materials and products, including the utilization in mechanic arts industries of agricultural and other trade wastes, and including such scientific researches as have for their purpose the establishment and maintenance of permanent and efficient mechanic arts industries and such economic and sociological investigations as have for their purpose the promotion of the welfare of the industrial classes and the development and improvement of their homes and home life, and for printing and disseminating the results of said investigations, experiments, and researches.

SEC. 3. That bulletins or reports of progress shall be published from time to time at said engineering experiment stations relating to their work, and these shall be sent free to newspapers and other publications, libraries, individuals, corporations, and institutions in such extent and in such manner as the directors of said engineering experiment stations shall prescribe. Such bulletins or reports and the annual reports of said stations shall be transmitted in the mails of the United States free of charge for postage, under such regulations as the Postmaster General may from time to time prescribe.

SEC. 4. That the sums hereby authorized to be appropriated to the States and Territories for the purposes provided in this act shall be annually paid in equal quarterly payments on the 1st day of January, April, July, and October of each year, beginning ———, by the Secretary of the Treasury upon a warrant of the Secretary of ———, out of the Treasury of the United States, to the treasurer or other officer duly appointed by the governing boards of said engineering experiment stations to receive the same, and such officers shall be required to report to the Secretary of ——— on or before the 1st day of September of each year a detailed statement of the amount so received and of its disbursement on schedules prescribed by the Secretary of ———. The grants of money authorized by this act are made subject to legislative assent of the several States and Territories to the purpose of said grants: *Provided*, That payment of such installments of the appropriation as shall become due to any State or Territory before the adjournment of the regular session of the legislature meeting next after the passage of this act shall be made on the assent of the governor thereof duly certified to the Secretary of the Treasury.

SEC. 5. That if any portion of the moneys received by the designated officer of any State or Territory for the purposes provided in this act shall by any action or contingency be diminished or lost or be misapplied it shall be replaced by said State or Territory to which it belongs, and until so replaced no subsequent appropriation shall be apportioned or paid to such State or Territory, and no portion of said moneys exceeding 10 per centum of each annual appropriation shall be applied directly or indirectly to the purchase, erection, preservation, or repair of any building or buildings or to the purchase or rental of land. It shall be the duty of each of the said stations annually, on or before the 1st day of February, to make to the governor of the State or Territory in which it is located a full and detailed report of its operations, including a statement of receipts and expenditures for the fiscal year next preceding, a copy of which report shall be sent to each of the said stations and the Secretary of ——— and the Secretary of the Treasury of the United States.

SEC. 6. That on or before the 1st day of July in each year after the passage of this act the Secretary of ——— shall ascertain and certify to the Secretary of the Treasury as to each State and Territory whether it is complying with the provisions of this act and is entitled to receive its share of the annual appropriation for mechanic arts research by engineering experiment stations under

this act and the amount which thereupon each is entitled, respectively, to receive. If the Secretary of ——— withholds from any State or Territory a certificate for all or any part of its appropriation, the facts and reasons therefor shall be reported to the President, and the amount involved shall be kept separate in the Treasury until the close of the next Congress in order that the State or Territory may, if it shall so desire, appeal to Congress from the determination of the Secretary of ———. If the next Congress shall not direct such sum to be paid, it shall be covered into the Treasury. The Secretary of ——— is hereby charged with the proper administration of this law.

SEC. 7. That the Secretary of ——— shall make an annual report to Congress on the receipts and expenditures and work of all the engineering experiment stations in the colleges organized in the States and Territories under the provisions of an act approved July 2, 1862, entitled "An act donating public lands to the several States and Territories which may provide colleges for the benefit of agriculture and the mechanic arts," and of the acts supplemental thereto, and also whether all or any part of the appropriation of any State or Territory has been withheld; and if so, the amount withheld and the reason therefor.

SEC. 8. That Congress may at any time amend, suspend, or repeal any or all the provisions of this act.

AMERICAN SOCIETY OF AGRICULTURAL ENGINEERS,
St. Joseph, Mich., March 21, 1929.

Dean ANSON MARSTON,
President Land Grant College Association,
President American Society Civil Engineers,
Iowa State College, Ames, Iowa.

DEAR DEAN MARSTON: I am informed that yourself and President R. D. Hetzel, of Pennsylvania State College, are to appear before the Senate Agricultural Committee in Washington March 27 in support of the proposed bill for Federal aid to engineering experiment stations.

As president of the American Society of Agricultural Engineers, I desire to indorse as strongly as possible your action in supporting the proposed Federal aid. I feel confident that the engineering principles that have been applied to other forms of industry in the past several years will be of inestimable value in promoting and maintaining agricultural prosperity.

There are many engineering problems in agriculture upon the solution of which the continued prosperity of our whole Nation is dependent to a large extent. The farmer needs scientific engineering aid in the solution of these problems, many of which can not rightly be solved without further research of too costly a character for private capital to sustain.

Our agricultural experiment stations are busy with crop improvement and production problems and are not able to finance greatly needed research and investigation in agricultural engineering lines.

In case our society can be of any assistance to you in the matter, please be free to call upon us.

Sincerely yours,

WM. BOSS, *President.*

AMERICAN FARM BUREAU FEDERATION,
Washington, D. C., January 3, 1928.

Dr. ANSON MARSTON,
President College of Engineering,
Iowa State College, Ames, Iowa.

MY DEAR DOCTOR MARSTON: At the tenth annual meetng of the American Farm Bureau Federation recently adjourned, one of the new projects was outlined in these words: "We recommend that engineering experiment stations be established in connection with the land-grant colleges."

It seemed to be the thought of the resolutions committee, as well as of the voting delegates at this meeting, that the time had come to give fuller recognition to engineering-research activities than is now possible. It seemed to be the thought of those present at our recent meeting that agriculture is in the stage of mechanization which industry has likewise recently experienced.

If engineering experiment stations could be established in connection with our land-grant colleges, their work would be of benefit to the public at large,

both in industry and agriculture, whereas the extensive research which is now going forward mostly by industrial corporations is quite naturally for their own specific good.

It seemed to be the opinion of the voting delegates, and was assuredly the opinion of the resolutions committee which reported this project, that if these engineering experiment stations could be established in connection with our land-grant colleges experimentation along agricultural lines would receive its adequate share of attention. However, it was not the thought that these experiment stations should be wholly confined to agricultural-engineering experiments. The objective in all this seems to be that engineering experiment stations, if connected with land-grant colleges, would eventually come to be as prominent in their sphere of action as are the agricultural experiment stations at the present time, and would be of as much material advantage to our people at large.

It is not the present thought hastily to inject this project into legislation. An exchange of ideals relative to it should better be had so that when a bill is drawn incorporating the main thought contained in the above resolution it can receive the support of all institutions or organizations which might be supposed to be interested in such an enterprise.

I should be pleased to have your thoughts upon this matter at your convenience.

Very truly yours,

AMERICAN FARM BUREAU FEDERATION,
CHESTER H. GRAY,
Washington Representative.

NOTE.—March 26, 1929. The measure submitted March 27, 1929, to the Senate Committee on Agriculture has been worked out in conference with Mr. Gray, as suggested in the above letter.

ANSON MARSTON, *President.*

The CHAIRMAN. The next witness is Mr. Marshall.

STATEMENT OF WILLIAM H. MARSHALL, FORT LAUDERDALE, FLA.

The CHAIRMAN. Please state your full name and whom you represent?

Mr. MARSHALL. My name is William H. Marshall, Fort Lauderdale, Fla.

The CHAIRMAN. What is your occupation?

Mr. MARSHALL. I am a farmer and produce merchant.

The CHAIRMAN. Who do you represent?

Mr. MARSHALL. I represent my own interests and ideas, as well as the ideas of a great many other people in Florida, relative to a plan of marketing perishable foodstuffs throughout the country.

I will give you facts that have been developed for many years in producing perishable foodstuffs, as well as in the marketing of those foodstuffs. It is common knowledge throughout the country where these perishable foodstuffs are handled, especially in the big sections, that each commodity is received in a big center and is bought by large dealers in carload lots, which, according to the degree of its perishable nature, is handled under refrigeration or under ventilation. My remarks now will be directed, I hope, to the view of having a more wide distribution or a more modern plan of concentration of the commodities that may be produced in one community or one State. Now, if it so happens that the State or the producing section is sufficiently near to bring its products to a center so that they may be assembled in commodity cars, or in mixed cars, that is done.

Now, if the committee would not mind, I shall get down to the specific points. In Florida—and what I say in reference to Florida

can be applied to any other State in the Union which produces perishables—we have a gateway known as Jacksonville. That is to say, approximately all of the railroads that enter Florida enter through this Jacksonville gateway. We have in that State a production of some 90,000 carloads of perishables that go out in the wintertime, into the markets of the country, where they receive those perishables in carload lots.

We have, for instance, around Sanford a celery section; we have the Dade County section, 300 miles or more from there, which is a tomato section. Then we have in the central southern part a citrus-fruit section. We have a cabbage section at Coleman, in the central part of the State, lettuce in another section, and cucumbers, squash, peppers, etc., in other sections. In fact, we have those commodities originating in many different localities. Now, it would be the plan, if some financial arrangement could be made with the Federal Government, by act of Congress, of course, to construct at some central place at the gateway, big terminal facilities where there would be provided cold-storage facilities, canning plants, processing plants, etc., so as to take care of the surplus that might accumulate at any time during the shipping season. By so doing we would then make it possible for the retailer or jobber to shop and buy, or make his purchases of any of those products, through one telegram, sent to the headquarters of the cooperative or private interest which might have the products to offer to the Nation for purchase. By that method we would have brought to this center all of the commodities produced in the State.

It would not be mandatory, however, upon the producers, because they could do as they liked about it, but I feel sure they would find it so much to their advantage to handle their products through this gateway that they would use these facilities. It is safe to assume that they would avail themselves of the privilege of sending their products to this central gateway.

Now we will say that there will be 15 cars on the tracks this morning containing 15 different commodities, or probably 200 cars containing 15 different commodities. Those cars will be broken up and reassembled and delivery will be made, we will say, in Uniontown, Wilmington, or any other suburban city in the country, containing, say, 10,000 population. It will be delivered there at any time in the winter. They can take a mixed carload of those commodities, and by so doing the purchaser can shop with the headquarters. He can make his purchase there. It might be compared with the method followed by the housewife, in going to half a dozen retail grocery stores to make her daily or weekly purchases when she could go to one grocery store and make all of her purchases.

That would serve to eliminate purchasing agents, and it would eliminate two or three transfers by cartage. It would eliminate repackaging at the various centers now which is usually conducted, and it would eliminate rewashing plants for celery, spinach, lettuce, etc. All of that could be done at this big central plant. The purchaser could get in touch with the factors at headquarters and could have the products shipped to him under one order. In that way, he could be supplied at that center with every commodity that the State produced, and, in doing so, he would eliminate all of the expense of back-hauling, repacking, etc., which would mean, sometimes, as

much as 25 per cent. With the profits of the middleman added to that it would be probably 50 per cent. I have known it to be as much as 100 per cent more than what the stuff would cost in Florida if it were handled in this manner. This would eliminate all of that great expense and all of that excessive overhead. It would provide the farmers of the country who produce perishables an opportunity to amalgamate. It would extend that opportunity into all the markets of the country. The farmers would be in every way assisted in the marketing of their perishables, as well as more economical methods of distribution which benefit consumers as well. And I think that the terminals should stand as surety for the moneys so advanced by the Government. They would never be used for anything else, because there would never be a failure.

I will give you the reason why I am so positive in that statement. I will state briefly the cause that brought it about, and then the effect.

In 1905 there was an overproduction, as we thought—and there was—with our channels of distribution in some lines of vegetables in Florida. The big cities were all we knew, and the markets varied greatly. For instance, nine cars of tomatoes in Philadelphia would net $2,700, three cars in Cincinnati would net $275, and two cars in Chicago, $1,400. That condition existed in the same week in our country. As the result of that, I was one of the first men in Florida who ever bought vegetables, and I proceeded to purchase. My first season's business was very small, but it gradually grew and grew until it came to be a factor, so that there were many times when the market that was established from my office was the market of the State on certain commodities.

So it was brought about by getting closer to the consumer.

Then I started on the mixed-car shipments, and I want to tell you that you can consult your commission merchants and you will find that the jobber—I do not mean the big wholesale receiver; I mean the jobber that handles all of the commodities that there are and buys his stuff from the wholesale receiver—if he had a chance to get all of his commodities direct from the packing houses or from the headquarters, so that he might bring them to his place of business and eliminate the cartage, eliminate his purchasing agent that he has to employ, and get it all from one source, and eliminate the profits between him and that source, he would buy many times as much stuff as he would buy otherwise. In these small sections of the country which we can not reach, in the cold North and Northwest, in the wintertime it is almost impossible to ship vegetables with any security that they will arrive otherwise than frozen; and as the result of that, the small cities and towns throughout the country are denied, for the winter season at least, the handling of these vegetables. In the summer time they are shipped in carload lots, and they can not handle a carload of this one commodity. Therefore they are denied it again. And so if we take south Texas, Colorado, California, or New Jersey, or the eastern shore of Virginia, or any place where they produce this great variety and number of commodities, or any section of the country, this method can be applied; and our Government could provide that which no private interest will provide, because they can not hold them together.

Farmers, I will say in passing, are a people who are living outdoors, who know nothing but their independence and their determi-

nation to succeed, and they do not always listen to the man from the city who comes around with a stiff collar and tells them this, that, and the other. He is suspicious of his neighbor and everybody else. So if the Government can go ahead, working through the cooperatives, and establish this fund and provide that certain requirements shall be complied with, then these funds will be available and they can take advantage of them as they desire; and they will then know how much New York will take, how much Chicago will take, and every city in the United States, and it will get down to a scientific basis, and, according to the supply, the allotment is made according to the demands of the cities. There is the fact that I recited to you a few moments ago, that which drove me into this marketing business, which was the price in Philadelphia, Cincinnati, and Chicago. No fault, gentlemen, except distribution, absolutely. That is the answer.

So this will solve the problem of distribution in perishables; and when that is solved, the whole country will get them for less money, because the supplies at the various sources will be so regulated that the farmers will see and believe that to plant this and that, and to establish this quality and that quality, and the grade, with the Government's assistance and inspection, will give them the quality and give them what they desire, and will increase the output very much, and will give the people at all seasons of the year that which they so much need, and that which they should have. And by that method I am sure it could be brought about; through the distribution forces of the cooperatives of the country—not, however, closing it and making it exclusively cooperative, because a purchasing agent might desire to represent 20 jobbers in Washington, or any number of them. He can go there and make his selections, and those are assembled in the mixed cars and delivered to his order.

So it would be open alike to the private individual to purchase; all, however, going through this establishment. It should be operated by marketing organizations.

Just one more word along the line of processing. I believe that there should be a fund provided in the hands of this cooperative organization which is handling this big terminal proposition, which conducts the repacking, assembling, and general business, even the switching and delivering to the railroads their just portion of what they might haul. I think there should be a fund provided there to take care, we will say, of beans, tomatoes, or any commodity. There are thousands of dollars' worth of cabbage, gentlemen, in Texas and Florida that will not be shipped this year, and there is no way in the world to use it. There is no way of processing that cabbage in any of those sections, in order to save it. Therefore it goes back to the soil. There are thousands of acres of tomatoes and other vegetables in our State that will go back to the soil as the result of the fact that foreign production centers are putting Florida out of business; and if we could have some way of processing that and preserving it, so that we might offer it to the market at a later time, we could do so and save many thousands of dollars to the producer.

I believe that the Government should provide a revolving fund of a reasonable amount, so that as the market decreases to the extent that it does not justify paying the high freight rate which perish-

ables are having to pay, we might stop it there and pay the farmer a reasonable price for it, so that he would not lose any money, as he now loses it. In Florida, in the first 15 days of January of this year, they lost no less than a quarter of a million dollars on tomatoes alone, that they shipped out of that State, which came in competition with Mexico; whereas if we had had these processing arrangements there, we could have preserved those tomatoes and there would not have been the loss that occurred there in many instances.

So if that could be provided, it would be of great assistance. It would not take very much money.

I believe, gentlemen, that I have covered as best I can the general outline of what I have carried in my mind.

The CHAIRMAN. Have you finished your statement?

Mr. MARSHALL. Yes, sir.

Mr. ASWELL. Mr. Marshall, why could not the producers and distributors accomplish this object that you have described, without reference to the Government?

Mr. MARSHALL. Well, it will take probably $10,000,000 to construct such a plant for cold storage, precooling, packing, and so forth.

Mr. ASWELL. You mean to say that it would require $10,000,000 for the State of Florida alone?

Mr. MARSHALL. It eventually would. It would not at the start, but probably eventually it would require that much to construct a plant to save the people of the country the enormous overhead that they now have, which is much more than that annually from Florida no lost freight, lost vegetables, and so forth.

Mr. ASWELL. If this bill is enacted into law, the Government would have to provide, according to your plan, $10,000,000 for Florida alone?

Mr. MARSHALL. Let that be decided according to the representations——

Mr. ASWELL. But your estimate is $10,000,000?

Mr. MARSHALL. Yes, sir. That is for constructing railroad yards, packing houses, cold storage facilities, and so forth.

Mr. ASWELL. It would cost a good deal of money to handle all of the States of the country.

Mr. MARSHALL. Everything that comes out of the State comes through Jacksonville. It is the gateway?

Mr. ASWELL. That is one State, though?

Mr. MARSHALL. Yes, sir.

Mr. ASWELL. That is one State out of 48?

Mr. MARSHALL. Yes, sir.

Mr. ASWELL. You said that other countries were interfering with the vegetables or perishable products of Florida. In what way?

Mr. MARSHALL. For example, Mexico in 1922 put into this country a very small amount of vegetables, tomatoes, peas, eggplant, and peppers. Their shipments have increased more than 500 per cent since 1922.

Mr. ASWELL. Can they compete with you, with the railroad rates and all?

Mr. MARSHALL. Yes, sir. They are doing it. They are putting us out of business.

Mr. ASWELL. What would you recommend that Congress do with reference to that?

Mr. MARSHALL. Enact a tariff.

Mr. ASWELL. How much?

Mr. MARSHALL. On tomatoes we ought to have 3 cents a pound; peppers, 3 cents; eggplant, 3 cents; string beans, 5 cents; and other products as well.

Mr. ASWELL. Would that protect you?

Mr. MARSHALL. Yes, sir. That will give us an equal chance with them.

Mr. ASWELL. Would you put a tariff on cabbage?

Mr. MARSHALL. We have not asked for any tariff on cabbage.

Mr. ASWELL. You said a while ago that there was a lot of loss on cabbage.

Mr. MARSHALL. Yes, sir; that was an overproduction.

Mr. ASWELL. How would you prevent that?

Mr. MARSHALL. We would process that cabbage.

Mr. ASWELL. How would you control the overproduction?

Mr. MARSHALL. As it is now in Florida, in all of the producing section, there is no advisory council or agency or influence.

Mr. ASWELL. Do you not have some cooperatives down there?

Mr. MARSHALL. Yes, sir.

Mr. ASWELL. What do they do?

Mr. MARSHALL. They market the stuff when it is produced.

Mr. ASWELL. They do not advise the people?

Mr. MARSHALL. They do to some extent; but many of the people do not belong to the cooperatives.

Mr. ASWELL. Can you not get them in?

Mr. MARSHALL. They will come in under this plan. They could not stay out. According to my experience in the market—I might be called a pioneer; it has never been disputed—in Florida, in the days before Mexico and Cuba made me take a back seat, there was no man who could stand the competition of my office in purchasing certain commodities, on account of the mixed cars that I was moving.

Mr. ASWELL. You would do away with a lot of middlemen, you say?

Mr. MARSHALL. I would make this modern. I do not say that I would do away with anybody, but I would make this modern.

Mr. ASWELL. But that would eliminate some of them?

Mr. MARSHALL. Yes, sir. It would eliminate all of this rehandling.

Mr. ASWELL. Are you in favor of chain stores?

Mr. MARSHALL. Regardless of whether I am in favor of them or not, they are here.

Mr. ASWELL. Well, are you in favor of them?

Mr. MARSHALL. Yes, sir. I believe that if they were not doing the country any good, they would not be here.

Mr. ASWELL. What effect are they having on the small merchant?

Mr. MARSHALL. They are putting him out of business.

Mr. ASWELL. Are you in favor of that?

Mr. MARSHALL. I am not in favor of putting anybody out of business unless he can find something more profitable to do; but I am not in favor of letting a man hibernate on the back of the producer and the consumer simply because he happens to be there and established. [Laughter.]

Mr. ASWELL. That is all right. I agree with you.

Mr. FULMER. Mr. Marshall, I gather from your remarks that the trouble with you and with your producers is in the distributing and marketing of your products, and not in producing.

Mr. MARSHALL. Marketing is a problem; and, as outlined to the committee here, distribution means everything. If I am a consumer, let me go to one place and buy my supplies for to-day, if I can; and if I am a dealer, let me likewise use the same feeling and the same judgment, that I may go to one place and buy my wholesale supplies for to-day.

Mr. FULMER. You believe that a real marketing system, something on the order, for instance, of the Federal Reserve System, with several large units, and going down to the State, the county, and even the township, where we could distribute fairly, when and where and at a fair price, would eliminate a lot of these middlemen and parasites, and would therefore bring a better price to the producer and also a better price to the consumer?

Mr. MARSHALL. Yes, sir. However, the 12 units of the Federal reserve plan might not be so arranged at this particular number of points. You would take localities. Take the Virginia sections; take Winchester, the center for apples, or take the Eastern Shore for potatoes. Take the Norfolk section for spinach and the many commodities that they have. Now, take the overburden of carrying 5 tons or more of ice with every refrigerator car. Think of the hundreds of thousands and millions of tons of ice transported annually for preserving perishable foodstuffs, when this centrally located precooling establishment, with mixed cars assembled into a commodity car, could precool that car, and these commodities would stay at the temperature which would be desired, and the commodity would act as a cooling to itself and maintain its own temperature, rather than having the ice at each end at 32 and the vegetables in the middle at 80. We then melt that ice in transit in order to cool these vegetables, and the heat wave goes to the top of the car and it is cold at the bottom, and if you ship strawberries and make them four deep, you will lose the top layer. In this instance of strawberries, a city of 10,000 people would not take more than two to four crates of strawberries, but they will graduate on up to where they will take citrus and others and make a 400 minimum car with 15 to 20 commodities in it; and that city could not possibly handle this stuff unless they got it in that way, because it would be too expensive by the antique method of distribution now in force, including the profits. The toll would have to be exacted and taken before it got to the consumer.

Mr. FULMER. With your system for the centralizing of the selling of the products, taking it away from the individual farmer or the individual units, and with the information that that system would give you, you would know just when and where to ship all your produce?

Mr. MARSHALL. Yes, sir

Mr. FULMER. In other words, under the present system we might have a price for watermelons from Georgia on the New York market, and we would have farmers in a territory 25 to 50 miles square shipping all their melons into New York?

Mr. MARSHALL. Yes, sir.

Mr. FULMER. Which would glut the New York market. And lots of them staying out on the sidetrack rotting; whereas Philadelphia, Boston, and other markets could be using a great number of these cars if they had known when and where to ship them.

Mr. MARSHALL. Where to get them.

Mr. FULMER. You mentioned the shipping in mixed car lots. Do you find that your trouble now is that all of your various products—tomatoes, lettuce, and so forth—carry different freight rates, and that if you ship a mixed car your total freight rate will be based on the highest rate of any one commodity in that car?

Mr. MARSHALL. Vegetables not otherwise specified. That takes a mixed-car rate, and the rate on that is all right. For instance, I ship a mixed car of vegetables to St. Louis. They will distribute this mixed car from St. Louis, and the rate is so nearly the same that it is not possible for the dealer out from St. Louis to order direct from me and have it go all rail, express, which is approximately twice what the freight rate is. In many instances, however, they save money on that, because when it is delivered to the dealer—we will say in St. Joe, Mo., or wherever you go in that secton—the express rate added to the cost of the freight and the profit in St. Louis and the cartage and rehandling, makes it cheaper to have it go all rail, express, than to buy in St. Louis.

Therefore, if it is going to cost me 25 to 50 cents a crate more than I will get back out of it, I will not buy that commodity. I will not use it. Then the farmers in Florida or in any other producing section of the United States face the fact that there is a commodity of great value lying rotting on the land, and the people in New York do not know what it is to get what they want.

Mr. FULMER. In other words, it is your contention that the country needs every pound of what we produce, if we had a fair method of distribution?

Mr. MARSHALL. Yes, sir.

Mr. FULMER. And under your scheme you are simply asking the Government to do for the farmers what they could do for themselves if they were able to organize and get together, whereas they never have been and never will be able to get together unless assisted by the Government?

Mr. MARSHALL. That is correct. They never will otherwise.

Mr. FORT. Mr. Marshall, I am very much interested in your ideas because they bring a new thought in connection with stabilization. You believe that we ought to set up machinery by which the board could make advances for a group of commodities jointly, do you not?

Mr. MARSHALL. Yes, sir.

Mr. FORT. And not simply handle them as wheat or as cotton?

Mr. MARSHALL. No.

Mr. FORT. You want us to set up some machinery that will allow the board to loan money for facilities and for the distribution of practically all perishables as one unit?

Mr. MARSHALL. Yes, sir.

Mr. FORT. Are you familiar with the way in which this is being handled by the grape people out in California?

Mr. MARSHALL. No, sir.

Mr. FORT. Their clearing house plan?

Mr. MARSHALL. No, sir; I am not familiar with it.

Mr. FORT. Is there any cooperative organization in Florida that is strong enough to handle this?

Mr. MARSHALL. Yes, sir.

Mr. FORT. Any individual cooperatives?

Mr. MARSHALL. There is a group of cooperatives on each coast. There is one on the east coast, the Florida East Coast Growers Association, and the Manatee Growers Association on the west coast—two heavy cooperative organizations.

Mr. FORT. Are there any others?

Mr. MARSHALL. The Citrus Exchange is a cooperative organization handling citrus fruits, and they also handle some vegetables.

Mr. FORT. Are these other cooperatives confined to a single commodity, or do they all cover the whole range?

Mr. MARSHALL. They all cover the whole production when it comes within their zone. Take the Florida East Coast Growers Association, with headquarters at Miami. Their specialty is tomatoes. The Manatee Growers handle celery, lettuce, and tomatoes, and many commodities. But the bad feature of more than one cooperative operating as a selling agent for commodities produced in any center is this: We will say to-day that the market in Chicago on vegetables is $2 a package higher or 5 cents a pound higher than it is in New York. Chicago is enthused over the fact, and their dealers will order their agents in Florida to purchase all available supplies up to a certain amount, and as a result Chicago is overloaded, and instead of their making money they are losing money.

Mr. FORT. But you are getting a little away from what I am trying to get at, and I have only five minutes. Are your cooperatives now dealing with Chicago individuals?

Mr. MARSHALL. Yes, sir.

Mr. FORT. Your idea is that they ought to deal with Chicago as a unit?

Mr. MARSHALL. Yes, sir. They ought to give Chicago what she will take at a fair value and not allow them to overload themselves; and then there would be no losses.

Mr. FORT. In legislation that we have considered in the past there has been a proposal to form a board to assist in setting up what they called, I think, in the acts clearing houses at terminal points. Your idea really is for a clearing house at the shipping point, is it not?

Mr. MARSHALL. Yes, sir. Then give to the world what it wants.

Mr. FORT. And to have that clearing house have the facilities both for packing, handling, refrigerating, and otherwise disposing of the commodities?

Mr. MARSHALL. Yes, sir.

Mr. FORT. You think that is as important as a clearing house at the terminal market?

Mr. MARSHALL. That is many times more important, I consider, than any other method that I have been able to discover.

Mr. FORT. Out in California, where they have tried this on grapes and pears and two or three other lines of fruit jointly, they have set up their clearing house on a basis that is producer-controlled, but which allows membership in the association to independent shippers provided they will accord with the rules of the clearing house set up by the producers. What would you do with that?

Mr. MARSHALL. The independent shipper will, of course, maintain his independence, in this instance, so long as he desires; but he will find it so comparatively unprofitable that he can not afford to maintain it.

Mr. FORT. I can see that either you will drive him out of business or he will drive you out of business.

Mr. MARSHALL. Yes.

Mr. FORT. The California method has been to bring them all into one organization. Now, do you believe that that is right, or should we attempt to set up here a clearing house to which only cooperatives would be eligible for membership?

Mr. MARSHALL. It would be all right to have this central clearing house that independents might patronize and avail themselves of its agencies for handling; but I believe it should be under the supervision of one head. I believe that our Federal Government should be represented, because I do not think they should let money go out promiscuously unless they guard it safely, and that to some extent the independents should have access to the methods used by the cooperatives, with the supervision of the cooperatives as to general rules, and should not be excluded.

Mr. FORT. In other words, you feel that the cooperatives should run it, but that the independent shippers should be allowed to come in if they will play ball according to the rules of the club?

Mr. MARSHALL. Yes, sir. The independent shipper is a tenant, so to speak. It is just like a building. Because I own the building, I do not desire to use it all, so I lease it to somebody. He is a tenant, and he must conform to the rules of the building.

Mr. FORT. If he does not, you will oust him?

Mr. MARSHALL. If he does not, he can not get in.

Mr. FORT. Will you operate better if you let him in or if you force him out?

Mr. MARSHALL. By letting him in.

Mr. FORT. Why?

Mr. MARSHALL. Because it gives both sides a chance to see which is the best, and let the best survive.

Mr. FORT. Have you thought this thing out as to whether it would be applicable to any other commodities than your fresh vegetables and fruits?

Mr. MARSHALL. Yes, sir.

Mr. FORT. Do you know anything about the marketing, for instance, of poultry?

Mr. MARSHALL. It could be applied also to poultry, and to perishable products that might originate at production points within reach of this central clearing house—any foodstuffs.

Mr. FORT. I believe, Mr. Marshall, in what you have said on the waste in refrigeration through bad loading of cars. Is that unavoidable in the loading of solid carload lots, for instance of strawberries?

Mr. MARSHALL. You could precool the cars. You could load your car and then hold it at a certain temperature, and that temperature is practically uniform throughout the car, and the commodities that are then in the car act as their own refrigeration. They are not at a temperature of 75 or 80, with ice at the other end at 32 or less. We chill them with machinery established for that purpose, and start the car out without ice, and it goes to destination in better

condition than it would if it had ice, and also eliminates the delay in reicing and the expense of the tonnage of ice.

Mr. FORT. An organization of this sort could also standardize packages, as the California people do, could it not?

Mr. MARSHALL. It could standardize packages; yes, sir.

Mr. FORT. It could standardize quality and packages?

Mr. MARSHALL. Yes, sir.

Mr. FORT. With a trade name, like the California citrous-fruit people?

Mr. MARSHALL. Yes, sir. It could standardize the size of packages. There would be a fourth, a half and a whole, and a car that is loaded with all these commodities would come out practically even on top, and the buyer is given just what he wants.

Mr. FORT. Is there any difference in the freight rate or the express rate on a mixed car over a solid car?

Mr. MARSHALL. It is slightly more on a mixed car, which takes the highest classification. But I believe that the railroads would be only too glad to cooperate, because it would eliminate so much trouble for them; because they would deliver the cars to the clearing-house yards, and the yards would handle them after that. They would make up the trains, and they would say, "Your train is ready for a certain point." For example, it would be a through train, with the first stop possibly at Cincinnati; a nonstop train for the first thousand miles. You can see what it means to the railroad company to start a through train already made up and handed to them. Then we will take Cincinnati and south. It would start out with another train which would be local in effect. There would be trains that would have to stop at every town of 10,000 people and up, because they would use these foodstuffs, and that would simplify it for the railroad companies, because, as it is now, many times they have to stop a train of 75 cars to set out just one car at a station, and they may have to make a grade to go on beyond, and they lose half an hour in setting out one car.

Mr. FORT. Let me ask you another question on another line. Have you had trouble in your business with unsatisfactory commission merchants, or do you deal direct with the retailer entirely?

Mr. MARSHALL. We started dealing with the retailer. The jobber in the cities would see the commodities on the market, and I would get an order; and then we maintained a connection with the retailer near home, near the source of supply. But at distant points we would use the jobber entirely, because the express rates and the numerous transfers would be prohibitive. You can not do it.

Mr. FORT. The reason I asked you that was that we had some legislation here last session, which we did not act on—it came in late—looking toward the licensing of commission merchants and of shippers. This system that you have in mind would practically obviate the necessity of licensing commission merchants, would it not, because you can cut off their entire supply if they try to cheat?

Mr. MARSHALL. Yes, sir.

Mr. FORT. You would standardize the shipping, would you?

Mr. MARSHALL. We would standardize the shipping; yes, sir.

Mr. FORT. Then you would have some certainty that you were going to get paid at the other end, which the average individual shipper, even though it is a small cooperative, to-day lacks.

Mr. MARSHALL. The man at the other end would know what his market was, and he would know whether he could pay the price asked there or not, and if he could, he would say, "All right; I will buy;" and that ends it.

Mr. FORT. How could such a thing be operated where you have not got a gateway point like Jacksonville?

Mr. MARSHALL. Oh, by central stations. Take Colorado, for instance. The Denver section, the outlying districts around the valleys and the mountains, produce many commodities there that they ship under ice.

Mr. FORT. Could you concentrate? Is it your idea to set up these central concentration points?

Mr. MARSHALL. Concentration points; yes.

Mr. FORT. Various points all over the country?

Mr. MARSHALL. They would be determined by a group or a board that would be appointed, acting on the idea of the Federal Reserve Board. We would make application in a group down here for this clearing house. An investigation is made, and let us suppose that they find that you have not got the commodities, you have not got the business that justifies it. You are not given permission. In another instance we may find that you are eminently justified and therefore we grant it and proceed with the machinery.

Mr. FORT. But you feel that it must be under cooperative control and management?

Mr. MARSHALL. I feel that it would be bad policy if the Government should branch out into too many ways of assistance when cooperatives have been found to be so successful.

Mr. MENGES. Mr. Marshall, as I understand it, the California cooperatives manufacture the by-products that they get out of their fruits right in California; such, for example, as citric acid, the oil of lemon and oranges; and the cooperatives handle those products, do they not?

Mr. MARSHALL. Well, I am not familiar with California's methods very much, but I presume that they can handle them. They can handle anything that they produce.

Mr. MENGES. If I understood you correctly, you said that you advocated shipping these products to some central station, and if they could not be consumed there, then manufacture them into the products that can be gotten from them. Did I understand you correctly?

Mr. MARSHALL. That idea applied to the clearing house, we will call it, or central assembling plant, wherever it might be. There are groves in California—I know there are in Florida—many miles from a preserving plant or processing plant, but not so many miles from the railroad. The man there can load that onto the railroad and send it to the clearing house where they have facilities there of preserving those commodities or processing them. Those that are merchantable can be shipped out and if there is no market for them they can process them there. The idea is to centralize it. Then you can have this processing or preserving plant in operation for six months in the year, or during the entire period when California or any other State is producing these special commodities.

On the other hand, if they were to take care only of a few cabbages, or string beans, at these producing centers, it would amount to only two or three weeks' operation, and besides the labor problem

is something that can not be overcome. Labor is used to gather and harvest these products, and labor can not work in a canning plant for just a few weeks and then loaf the rest of the time or look for other employment for the balance of the year. But with a central plant, a central place where they have these canning establishments, they would be in operation throughout the period of the production of the product of that State, and the labor would be there to handle it.

Mr. MENGES. At the present time, however, the labor that is employed in these canning operations moves from one place to another. For example, they begin in Florida and travel north with the ripening of canning commodities, say, on the last of September.

Mr. MARSHALL. But why make them move if they can have six months' employment instead of two weeks?

Mr. MENGES. Which do you think is the better?

Mr. MARSHALL. To have the central place and there you can have efficiency. You can reduce overhead. You can have a plant that will preserve 50 carloads a week or even a day, if necessary, whereas the other one would take a week to preserve a carload. It is so much better to have mass production and efficient labor.

Mr. MENGES. That is the idea I was getting at, mass production and necessary mass consumption to keep up mass production.

Mr. MARSHALL. Yes, sir.

Mr. MENGES. And you think that the agency that we are thinking of setting up here will be so constituted as to handle those propositions?

Mr. MARSHALL. I do not know what your legislation is going to be, but if you will just include in that the wherefores that make this particular subject possible, then you will have done something for the perishable food products of the country that will almost revolutionize them.

Mr. FORT. May I make a statement for the record, Mr. Chairman, in regard to that? I feel that we ought to have somebody here from that California exchange, which is operated on that exact basis, to give us the details of their operations.

I think we can get Lloyd Tenney, who was with the Bureau of Agricultural Economics and who left here to accept employment as vice president and general manager of that organization. I believe they call it the California Grape Exchange.

I do feel that that is a matter of very material importance. The committee has never had anything that I have heard on this clearing-house idea until Mr. Marshall's testimony. We have never had any intelligent suggestions as to how the legislation ought to be formulated, and I think there ought to be some way of asking the department to see if we could not get some one to tell us about this. I believe we could get Donald Conn or Lloyd Tenney to tell us just how we ought to formulate it.

It seems to me that the schedule committee might take into consideration the question of inviting men who are authorities on this subject, and who may be able to tell us what any legislation on this subject ought to contain.

Mr. ADKINS. Mr. Marshall, are you familiar with the methods of the Southern Illinois Fruit Growers' Exchange?

Mr. MARSHALL. No, sir.

Mr. ADKINS. I think it would be a good idea to get in touch with them. Peaches and strawberries, as you know, are highly perishable. We have a number of farmers down there who market from five to twenty-five thousand bushels of peaches a year. They realized last year all the way from 75 cents to $1.50 a bushel. They ship carloads and carloads of strawberries out there every year. They raise an immense amount of strawberries there. I think it would be of advantage to you and perhaps to this committee to find out what their methods are. You will find that the farmers themselves are finding a market and shipping direct and they are doing pretty well.

That is all.

Mr. BRIGHAM. Mr. Marshall, are mixed cars of different commodities shipped to the northern markets at the present time.

Mr. MARSHALL. To some extent.

Mr. BRIGHAM. What proportion would you say?

Mr. MARSHALL. I would not be exactly able to tell you, because the points of origin are so far separated. Wherever it is possible to get the commodities, they call for mixed cars.

Mr. BRIGHAM. Is it not customary to ship straight cars of a single commodity to a distributing point, say, New York or Boston, for the Northeast?

Mr. MARSHALL. Yes.

Mr. BRIGHAM. And then to have these commodities shipped in less than carload lots or by express to the smaller communities?

Mr. MARSHALL. Yes, sir.

Mr. BRIGHAM. And that involves a considerable charge for express or freight, cost of handling, and so forth.

Mr. MARSHALL. Yes, sir.

Mr. BRIGHAM. If you had your clearing house and could load mixed cars of different commodities you could ship mixed cars direct to many of the smaller cities of the country?

Mr. MARSHALL. Yes, sir.

Mr. BRIGHAM. And in that way save handling charges and freight and a considerable sum to the consumer and to the producer, could you not?

Mr. MARSHALL. A considerable sum; yes, sir. In some instances probably $500 per car.

Mr. BRIGHAM. That is all.

The CHAIRMAN. Just one question. Do the railroads permit packing in transit?

Mr. MARSHALL. That has not been taken up with the railroads, I am sure. This subject has not been taken up generally anywhere.

The CHAIRMAN. Would they be likely to permit that?

Mr. MARSHALL. I should think they would cooperate in every way possible, because it would be necessary for them, in order to increase production and consumption to help, and they would cooperate. I believe they would allow what is known as milling in transit, for instance, the processing in transit.

The CHAIRMAN. That is what I had reference to.

Mr. MARSHALL. Yes, sir.

The CHAIRMAN. They would have to have a rate from the Interstate Commerce Commission?

Mr. MARSHALL. Yes, sir.

The CHAIRMAN. That is all.

STATEMENT OF GERALD W. CONNELL, SECRETARY MINNESOTA WHEAT GROWERS' COOPERATIVE MARKETING ASSOCIATION, MINNEAPOLIS, MINN.

The CHAIRMAN. Give your name and who you represent.

Mr. CONNELL. G. W. Connell. I am secretary of the Minnesota Wheat Growers, composed of 10,000 farmers marketing wheat in the State of Minnesota.

I am presenting a brief to this committee, and, as I am not a public speaker, I would like to have permission to read notes from that brief which will invite questions, I hope, on the part of the members, and will allow me to go more into detail on the important features of the plan.

The Minnesota wheat growers, as well as other wheat pools in the United States, at a meeting in December agreed in all outstanding features with the McNary bill as introduced in the last session of Congress.

Mr. WILLIAMS. You mean the bill introduced in December?

Mr. CONNELL. Yes, sir; not the McNary-Haugen bill with the equalization fee.

I wish to discuss briefly:

(*a*) The matter of farm board set-up, and more in detail.

(*b*) The manner in which the farmers may avail themselves of this set-up.

The proposed McNary measure differs from the ordinary proposed law in this—that it takes for granted active cooperation on the basis of voluntary action. There is nothing compulsory about it, consequently it must be built to fit the ideas, the experience, and the local preference of the farmer. It should confine its make-up to the broad essentials of a constructive act and it should invest upon the farm board broad powers to do all that may be necessary to the establishment and maintenance of such various types of marketing machinery as may be demanded by the many farm industries, or as may be required by regional, national, or international markets.

No one cut or dried marketing plan will serve or will be acceptable to the farmers of the United States. Local experience with cooperation may indicate a different approach to the same marketing problem in such matters as local organization, membership, and like matters that do not need to be standardized.

Therefore a matter of the highest importance is to omit from this legislation all matters that are properly administrative, at the same time demanding that the farm board exercise wide latitude in establishing its rules and regulations.

The need of farmer-owned, farmer-controlled marketing machinery for agriculture is looked upon by well-informed farm leaders as vital to farm relief.

To-day, with a few outstanding exceptions, the many and varied farming industries may be considered as factories having no sales departments and dependent upon the consumer and the agents of the consumer to take their output and set a price thereon.

What is in fact proposed under this measure now being discussed is that each farming industry shall have the power, at the option of its owners, to set up its own sales department, acting as a matter

of inherent right and without prejudice to any existing nonfarmer agency now acting, to buy, ship, store, and process the wares produced on the farm.

The end to be arrived at from the standpoint of the organization is to make each and every farmer desiring its benefits eligible to full membership, full responsibility, and full participation in all benefits secured by the establishment of such a marketing system.

In such a set-up of law and farmer effort account must be taken of existing equipment owned and controlled by the farmers themselves.

The marketing of grain, with which I am identified, serves to illustrate what, in my judgment, must be the ends arrived at and the manner of reaching them.

The complete physical machinery necessary to merchandise grain, delivering it to the consumer at his mill or overseas warehouse, consists of the local elevator and the terminal elevator, including mixing and conditioning facilities, together with storage.

The merchandising problem consists of having within the complete control of the sales agency a predetermined volume of grain so located at distribution centers that it may be delivered without delay and so warehoused that it may be conditioned to the milling or export trade requirements of any possible market. That would mean certain protein as well as grade.

These two fundamental conditions impose upon the grain agency or agencies that may be set up:

(1) Ownership or control of all necessary physical properties, including both local and terminal.

(2) Direct personal responsibility, in proportion to the bushelage and value delivered, on the part of the individual producer.

(3) Direct returns to the producer, upon the basis of bushelage and value delivered.

The preceding requirements, indicated as essential to any marketing agency for grain or other commodities, would plainly seem to demand:

(*a*) Producer contracts between the grower and the association, after the manner of the Minnesota Wheat Pool and others of like character, and

(*b*) Ownership of physical properties, after the manner of the farmers' elevators throughout the Middle West.

These farmers' elevators have rendered, and still render, an invaluable service to the farmer. But they are in no sense selling agencies, with few exceptions. They are, speaking from the merchandising standpoint, loading and forwarding platforms at the door of the farmers' factory. Their original purpose was to do away with local excess private profit in grain handling. This they have accomplished. The larger task of actual merchandising still remains to be done.

The physical equipment represented by these elevators is necessary to any successful grain-marketing program. Their good will is a valuable asset. Where physical conditions and volume warrant, their acquirement by the proposed marketing agencies is necessary. Where such conditions do not exist, the acquirement of other local loading facilities will be necessary.

In many instances these local elevator companies, of which there are, altogether, some 4,000 in the United States, have their stock widely scattered among nonproducers; in other words, retired farmers who are not in the farming business; bankers and business men in the small towns own stock in these elevators. In still other instances, these elevators are in debt to the grain commission houses, and are in effect compelled to sell, not to the open bidder, but through the mortgagees; that is, these commission houses that have loaned these funds.

Effective release of these local associations of farmers, so that they can move freely toward the establishment of the sales agency now under discussion, can come only through adequate financing provided by the measure here proposed. There must be money with which to buy in nonproducer stock, there must be money with which to settle up outstanding obligations and release the local association, which will then be composed of actual growers, free to make its own future agreements. The amount provided in the plan under discussion is not merely a provision for purchase of physical equipment, it is a provision for release from economic bondage that prevents the free expression of the will of the farmer. It is one of the essential keys to the farmer's industrial freedom.

The need of the acquirement of necessary terminal storage for grain and other farm products further emphasizes the need of an adequate fund for that general purpose. Without such facilities neither the grain grower nor any other producer similarly situated can hope to set up an efficient marketing concern. Either the purchase of properly equipped existing terminals or the financing of new structures where purchase can not be arranged requires capital in considerable amounts, and the farmer, knowing that organization without funds or equipment can not compete with organized private capital, needs the assurance which the purchase fund provides.

This proposed measure should take into account not merely the physical needs of the marketing situation, but it should also consider the half century of cooperative effort and experience out of which has grown to-day's demands for a wider farmer-owned and controlled marketing program.

Herein lies the need for wide powers vested in the Farm Board proposed in the measure under discussion. The experience gained by the cooperatives in all matters of local association, in preference for one or another form of ownership of physical properties, or in any other matter that does not run counter to the basic purpose of the proposed act or that of the Capper-Volstead Act, should be retained, recognized as making for individual satisfaction and loyalty, and put into action.

State laws, as for instance, the law in Minnesota under which cooperatives are supervised, counseled, their books audited, and valuable assistance rendered them by the State, should be used to aid the great cooperatives that will be formed under the proposed measure. The existing marketing agencies of the farmers find protection under these State laws. Every consideration of broad agricultural policy would seem to call for the use of these local and State cooperative units as the nuclei out of which to build the greater cooperative sales associations.

The set-up I have in mind is similar to that which has proved so successful in Canada, viz:

At end of fourth year 1,300 country elevators, 12 terminal elevators—total storage approximately 75,000,000—reserve account over $20,000,000.

Over all a sales agency made up of the various State associations, the exclusive business of that agency being to own the terminals through which to move to market the produce coming from its member associations.

Beneath that agency, or national pool, organized along State lines and in conformity with State and Federal laws, membership associations of farmers with produce contracts running to the State association, the exclusive business of such State associations being to secure and maintain membership and produce contracts, to receive and forward the contracted product, and to disburse to the members the net returns of the marketing season.

Within the State association, or under it as a local unit, would lie the ownership of the local elevator or other warehouse.

The contract made by the individual, under this plan, which is the plan of operation of the eight wheat pools operating in the United States, runs to the State pool, the State pool contract would run to the Federal pool, and the Federal pool would become the stabilization board for the commodity.

This plan contemplates bringing as large a measure of responsibility as possible as close as possible to the farmer.

It fixes all responsibility for mixing, processing, and merchandising upon the central marketing agency, and frees it of all other responsibilities.

This plan throws upon the farmers of each State full responsibility for contract and membership control, and for distribution of returns to members.

This plan allows all possible flexibility as to local or state-wide ownership of physical properties. It invites the largest possible local participation in the affairs of the association that are local in character.

This plan fits in with the history of local elevator and creamery and other cooperative association effort. It utilizes to the full America's great wealth of local cooperative experience.

And it is from the ranks of these local leaders that the State and national leaders in cooperative marketing must come, if the system we are now shaping is to be American in spirit and under the voluntary operation of the farmer himself.

The administrative success or the failure of this legislation now before us hinges in part on the action of the Government toward the farmer, but it is fully as important that we secure, through its broad terms, the voluntary cooperation of the farmer himself. Its whole spirit is permissive, rather than mandatory. Therefore, the need for care that we invite rather than command the cooperation of the farmer.

Again I would urge you to examine every sentence and line and word in order to allow all reasonable freedom of action, so that each section of the Nation, every State, every locality, may be able to build into this national marketing program its own individuality.

At the present time these organizations are able to loan many of their members to the amount of approximately 75 per cent of the card prices.

It is my belief that in this set-up we should have a fund loaned by the Government to the organization for an aditional advance so that the farmer may be able to come nearer the actual price at the time he delievers his product, and that is because of the fact of the present condition of the farmer.

Another important feature is the matter of loans for organization, federation, and educational purposes. I believe they should have funds enough to carry on an extensive educational program, to federate all these cooperative organizations we now have and to assist in their organization.

Since leaving Minneapolis last week, there was a national pool conference held in Kansas City on Tuesday, and I would like to read into the record a resolution passed at that conference, which is as follows.

Mr. CLARKE. Is this in reference to a wheat pool?

Mr. CONNELL. A national wheat pool. The resolution adopted at Kansas City is as follows:

Be it resolved, That we ask Congress to pass appropriate legislation to place agriculture on the same basis as other industries which will include an adequate tariff on farm products and in the case of products of which there is an exportable surplus legislation that will make the tariff effective, also preferential freight rates on agricultural products for export as has already been given to other industries. In case this legislation shall follow the lines already laid down in the McNary bill which was introduced in the short session of Congress we suggest the following changes:

1. Advisory commodity councils to be established at the option of the Federal Farm Board and if established members of these councils to be chosen by the commodity cooperative marketing associations.
2. No individual producers shall be stockholders in stabilization corporations.
3. One stabilization corporation for each commodity.
4. The profits of stabilization corporations after setting aside a sufficient reserve shall be paid back to the cooperative who owns stock in them on prorata basis according to the deliveries of the respective cooperatives.
5. The appropriation for funds for the use of the stabilization corporation to be three hundred million instead of two hundred twenty-five million, appropriation for funds for loans for physical facilities to be fifty million instead of twenty-five million.

Mr. FORT. Will you read that part again in reference to a producer being a stockholder? Did you say no producer was to be a stockholder?

Mr. CONNELL. It says:

2. No individual producers shall be stockholders in stabilization corporations.

Then it goes on to say:

3. One stabilization corporation for each commodity.
4. The profits of stabilization corporations after setting aside a sufficient reserve shall be paid back to the cooperative who owns stock in them on pro rata basis according to the deliveries of the respective cooperatives.
5. The appropriation for funds for the use of the stabilization corporation to be three hundred million instead of two hundred twenty-five million, appropriation, for funds for loans for physical facilities to be fifty million instead of twenty-five million.

Mr. JONES. You spoke of concentration points or storage places. Why would it not be more economical to have the concentration

points or storage places near the point of production of the different commodities called for, rather than to ship to the terminals?

Mr. CONNELL. You would have both under this plan. First, you would have them at the local stations in the form of small farmer elevators.

Mr. JONES. Before you could do that to the best advantage, would you not need a readjustment of freight rates so that the local prices would not be based on the terminal prices, less the cost of the freight?

Mr. CONNELL. An adjustment of freight rates would help considerably.

Mr. JONES. That is one reason why wheat, for instance, nearly always goes to the concentration point.

Mr. CONNELL. It does; yes.

Mr. JONES. Because the price paid all over the country is the terminal price less the freight charges to the terminal point.

Mr. CONNELL. And the spread for profit.

Mr. JONES. That practically forces wheat to the centers and forces them to pay that additional freight cost.

Why would it not be a much better plan if you would have the concentration point in the vicinity of production and then ship from those vicinities to the point of ultimate consumption, or as near as possible to that point? Of course, that would require, before it could be practically handled, a readjustment of freight rates, but I have the idea that if the various organizations agree to that program the Interstate Commerce Commission might be induced to change the freight schedules on that basis.

Mr. CONNELL. Of course, I am speaking about grain. In concentrating that grain in local points you do not have the physical handling to do in the terminals, and one of the biggest profits made in the grain business is that which comes from the mixing and the blending of the grains, especially wheat.

Mr. JONES. Exactly. That has been the experience of the Texas Wheat Growers Association and the Oklahoma Wheat Growers Association, and I suppose all the others, because their wheat goes to these centers where they practically, in large measure, lose control of the individual wheat. Of course, they get their grades, but they have to pay the extra freight charge and the wheat is forced to the centers. That whole system, it seems to me, could be readjusted to advantage.

I notice also you say you would not let any individual farmer own stock in a stabilization corporation. That is in order to induce people to come into the cooperative organization, I take it.

Mr. CONNELL. In other words, he is a competitor of the men in the organization, and the organization is the one that is establishing the price, so if he wants to put up the loss, why not let him go all the way through?

Mr. JONES. Does your organization have any funds of its own?

Mr. CONNELL. We did not have any funds when we started.

Mr. JONES. You have a reserve fund?

Mr. CONNELL. In our case our contracts provide for a 2 per cent deduction of the sale price of the grain. We have never taken over 2 cents per bushel.

Mr. JONES. Do you put that into a capital fund?

Mr. CONNELL. That is what it is, a capital fund. That is deducted until we set up a fund of a million dollars.

Mr. JONES. Have you been able to net your members as much as the average price of the commodity through a period of years—that is, the average of the outsiders?

Mr. CONNELL. Over a period of five years I would say that 75 per cent of our members received a better price than they would have received at the time of marketing.

Mr. JONES. At the same time you were building up this capital fund?

Mr. CONNELL. Yes, sir.

Mr. JONES. That seems like a successful method of operation, if you have been doing that.

Mr. CONNELL. Here is another matter. That is, at the local stations the organization of the pool had the same effect upon the local market price as these farmer elevators when the started in; that is, they cut the spread between the terminal cost-sales price and the local elevator. In other words, I can best explain it in this way.

Mr. JONES. That gave the benefit to these farmers as well as the cooperatives?

Mr. CONNELL. That is correct. In other words, when we started operating they were not paying the protein premiums at country points. In the first year the country elevators paid from 2 to 14 cents a bushel protein premiums owing to competition of our pool.

Mr. JONES. That is a very desirable accomplishment.

Do you feel that through the medium of a loan fund, unless you had some capital stock, you would be able to make a successful venture of your stabilization corporation, if the outsider gets the benefit of the increase in the price the same as the man on the inside?

Mr. CONNELL. In building the organization and in the set-up of the stablization corporation, it would act as a temporary relief, for when these organizations get to the point of, say, 75 or 80 per cent, they themselves will act as a stabilization corporation. In other words, they will hold the grain off the market at these low points, or when it takes a dip that is not warranted.

Mr. JONES. That would work out beautifully if the thing is a financial success.

Mr. CONNELL. There is another point there, and that is you will do away with the speculative market control of the product, and will do away with the speculative market.

Mr. JONES. And the speculative market has grown to a point where it is really a hinderance more than it is a help, has it not?

Mr. CONNELL. I can see no reason why there should be optional selling in the market.

Mr. JONES. Do you not think the board should be given, among its other broad powers, the power to close up the wheat and cotton exchanges and boards of trade, if necessary?

Mr. CONNELL. That is going quite a way. But I believe it should have that power.

Mr. JONES. The grain corporation was given that authority, in effect, during the war, and if we built up the system proposed here, and the board reached that conclusion, why should not they have the power to handle the situation in that way? Why should not they have the authority to do that, if they found it necessary?

Mr. CONNELL. The organization would have a bargaining power. There the stabilization corporation would step in when the market went to a certain point, and certainly the speculators would not drive that market with somebody standing guard over them.

Mr. JONES. Do you think the effect of the operation would stop them, rather than having a board with authority to stop them?

Mr. CONNELL. I think so.

Mr. JONES. Can you see any particular harm in giving them further power if they found it necessary to close them down? That would be a pretty good club itself, would it not?

Mr. CONNELL. I think it would.

Mr. JONES. It seems to me it would be.

Mr. KETCHAM. Mr. Connell, referring to the yearly marketing of grain, I have always had the notion that a high percentage of farmers sustain considerable loss, particularly if they had to sell as soon as the crop matured, because of the fact that they dumped the wheat in the very early part of the marketing season, and that very naturally depressed the price. Subsequently it rises, and there is a terrific dip there that is always to the disadvantage of that particular group that needs, if any farmer needs, the very last red cent they can get out of their crops on that market.

Mr. CONNELL. That is correct. The dumping season is to the detriment of the farmer, and as you say it is the time when he must have his money to pay his bill, and naturally he must dump his wheat.

Mr. KETCHAM. Have you ever gone into that matter very thoroughly so that you could give to the committee any notion of the loss that is sustained by the farmers as a group because of that particular thing? Could you give us any idea about it at all?

Mr. CONNELL. Just as to what extent that goes, no; I could not.

Mr. KETCHAM. About what fractional part, in your judgment, of the crop is marketed in the first three months—that is, say the first three months of the whole marketing period of the year?

Mr. CONNELL. Approximately 50 per cent.

Mr. KETCHAM. Fifty per cent is marketed in that time, before the 1st of October, say, from July to October?

Mr. CONNELL. In our territory it would be from the 15th of August on.

Mr. KETCHAM. In the spring-wheat section more particularly, but for the country over perhaps it would be fair to say from July to October?

Mr. CONNELL. Yes.

Mr. KETCHAM. Fifty per cent of the crop is marketed in that time?

Mr. CONNELL. I could not answer that question because of the fact that the winter wheat in the Southwest comes in much earlier, and what percentage goes on to the market I can not say.

Mr. KETCHAM. Irrespective of the amount that goes on the market, it is your judgment that whatever it is it is in such a large comparative quantity that it does depress the price in that short period?

Mr. CONNELL. Yes; and that is more so now than it was five years ago because of the fact that they are using the combine. Then they have better roads and they are trucking their grain direct from the threshing machines to the elevator.

Mr. KETCHAM. That leads up to this question as to the work that could be accomplished by a stabilization corporation.

Do you believe that a stabilization corporation, if it were set up and adequately financed and given broad powers, could step in and assist the cooperatives so they in turn might ultimately assist, say, the marginal farmers by stabilizing the markets at a higher level, and thus be of a very real value and assistance to that very large group of farmers? Is that correct?

Mr. CONNELL. That is correct, and according to this plan, this contract market is farmer-owned all the way through. When the stabilization corporation would step in there to take up some of that grain, the farmers' organization would naturally stop selling so that in this form of marketing there would not be the necessity of a stabilization corporation, only temporarily. Without the pool the Government would be compelled to take as much of the grain off the market as would be necessary to stabilize the price.

Mr. KETCHAM. Under the present system of financing the cooperatives, are the cooperatives able to do that work, or must they practically, in turn, sell as soon as they buy?

Mr. CONNELL. They can not do it at the present time because they do not control the physical facilities.

Mr. KETCHAM. Do they have adequate capital with which to do it, if they have a mind to do it?

Mr. CONNELL. No; that is the trouble. They have not the capital with which to purchase those handling facilities.

Mr. KETCHAM. Compare this seasonal or yearly surplus we are now talking about, that is, the dumping we are now talking about, with the whole general proposition of a better price for wheat. In your judgment, what would give the greatest measure of help and benefit to the average farmer, something that would give him an average yearly price at the time he sells, or the other plan that would give him, say, the world price, plus the tariff?

I do not know whether you have gone into that, but if you had to choose between the two as to which measure would be more helpful to the farmer, which would you select?

Mr. CONNELL. I would say the second proposition.

Mr. KETCHAM. It is what we are aiming at in farm relief legislation, to give the farmer the benefit of the protective tariff upon a product of which he produces a surplus. We have, for instance, a 42-cent tariff on wheat. Question: Does the American farmer get the world price plus 42 cents? And the answer, except in very rare instances, is "No." Why? Because of the surplus.

In all of this legislation we have had in contemplation we have endeavored to do that sort of thing. If you had to make a choice between the two, which would you prefer, to have that machinery set up or the machinery to which we have just been alluding, to care for the seasonal surplus and stabilize the price during each year?

Mr. CONNELL. I believe the stabilization corporation with the farm organizations would stabilize the price so the farmer would be benefited, possibly not by the full 42-cent tariff, but in the case of demand wheat—I can speak with more authority of the spring wheat. That is in demand; it is protein wheat which is demanded by the millers, and there is very little of that wheat that is shipped out of the country, and if we had control of it, so that we had bargaining power

across the table, between the millers and the farmers' organizations, we could certainly raise that price above the world market considerably.

Mr. KETCHAM. Going to this question of stabilization, I do not know whether you were in the room yesterday when Mr. Gray was testifying.

Mr. CONNELL. No; I was not.

Mr. KETCHAM. I do not know whether you are familiar with his viewpoint. If not, may I say that he agrees that some stabilization may be accomplished by the stabilization corporation, but he is afraid that the stabilization may be at a lower price rather than at a higher price. Will you give us your views upon that subject?

Suppose we had this set-up that we are talking about. Do you believe it would stabilize the price so that the average for the year would be lower or would be higher?

Mr. CONNELL. It would stabilize that price much higher than it has been—that is, the price level.

Mr. KETCHAM. That is a direct answer to the question.

Now I want to put this other proposition to you. Do you believe that there would be a possibility of so handling the whole operation of this stabilization corporation that there would be no loss to whatever agency supplied the capital necessary for it to function? Do you believe that any stabilization scheme that has in it the lifting of prices necessarily means a loss to whoever furnishes the money?

Mr. CONNELL. No; I do not.

Mr. KETCHAM. Lifting the average price; that is what I am talking about.

Mr. CONNELL. You mean whether or not there will be a loss to the stabilization corporation?

Mr. KETCHAM. That is what I mean.

Mr. CONNELL. I do not think there will be any loss.

Mr. KETCHAM. Will you tell us how that will work, as you vision it?

Mr. CONNELL. The farmers' board will have information as to the supply and the demand, and in the end we must come to those figures. But the stabilization corporation, with its knowledge, could go it and set a price at which grain would go no lower, and those people would be on the market and take it up. It would put the speculator out, so we would not have all of the violent fluctuations caused by the speculator. Then, the stabilization corporation and the farmer-owned organization, by jointly controlling that grain, could raise the price level, and, as I said before, with the information they have, through the farmers' board, set that price up to a higher level than it would be otherwise, and procure the benefit of the tariff which we now have. Possibly it might be necessary to sell some surplus at a lesser price, but so far as the average price over the year is concerned, there is no question in my mind but what the farmer would get a better price.

Mr. HALL. I would like to ask whether you think, as to the experience in the use of the stabilization fund, that there would be at least a 50-50 chance of the corporation making its expenses?

Mr. CONNELL. I have answered that question; I certainly do believe it would. I do not believe over a period of five years the stabilization corporation would show a loss.

Mr. HALL. Coming back to the advisory council and its make-up, if I understood the resolution adopted at Kansas City correctly, it provided that the council should be made up only of members of the cooperative associations.

Mr. CONNELL. That is the advisory council, yes.

Mr. HALL. And those men, of course, are expected to be experienced men, not only in producing the various commodities but also in the marketing and distribution of them.

Mr. CONNELL. They would be, in my opinion, the leading men of those organizations, the men with the most experience and knowledge of situation.

Mr. FULMER. What is the size of the territory you operate in, Mr. Connell?

Mr. CONNELL. Our organization is just in the State of Minnesota.

Mr. FULMER. About what percentage of the wheat from that State do you handle?

Mr. CONNELL. We handle less than 10 per cent, a very small volume.

Mr. FULMER. Why are you unable to get more of the farmers to come into your organization and to handle more of the wheat?

Mr. CONNELL. Well, there are a great many different reasons for that. We have had an uphill fight. That is, there has been a propaganda that has been spread by the enemies of farmers' organizations, and then there is the suspicion toward the officers of the organization, and there is also the wrong method in procuring members. I could go on and name any number of things.

Mr. FULMER. You have read the bill introduced by Senator McNary?

Mr. CONNELL. Yes; I have read that.

Mr. FULMER. Is there anything in that bill that would force the farmers to come into the organization?

Mr. CONNELL. There is not, and I do not believe the farmer should be forced in.

Mr. FULMER. Would you have any better chance under that bill to get them in than you now have?

Mr. CONNELL. As I said in my brief, in Minnesota we are under the jurisdiction of the State Department, and I would say that the Federal Farm Board would act in the same capacity; and with the guaranty that they are looking after these matters the farmer would be assured that the promoter, or the friends of the enemy interests, would not be in any way mixed up in these organizations. It would give him that confidence. And the mere fact that the Government was behind them with finances would be the necessary thing that we would need at this time to carry back to our farmers to get them to sign up with their organizations.

Mr. FULMER. Suppose the farmer would refuse to come in after you have all this machinery set up with the Government back of it, could you suggest some other plan whereby there would be some other and better machinery provided for in this bill so that they would be able to go out and buy a sufficient amount of this product in order to stabilize the price?

Mr. CONNELL. I believe I should start with the proposed plan at the present time. There is a bare possibility that, if it is a failure

and is proven so, we may have to come back to the Congress of the United States for something on the order of the equalization fee in the McNary-Haugen bill. But I do not think it will be necessary.

Mr. FORT. With reference to the advisory board, you had a definite recommendation in the telegram you read. Would you mind reading that again?

Mr. CONNELL. It says:

> Advisory commodity councils to be established at the option of the Federal Farm Board and if established members of these councils to be chosen by the commodity cooperative marketing associations.

Mr. FORT. Some of us have always had some doubt as to the possibility, under the Constitution, of delegating such power, in this form of government, to an outside agency. The purpose of that recommendation is to maintain the commodity's control of its own picture, that is, to render it certain that the commodity organizations have control of their own side of the business?

Mr. CONNELL. Yes; that would be what it would be.

Mr. FORT. What you want is something in this legislation that will insure that the board will act in the way that the commodity organizations want it to act; is that it?

Mr. CONNELL. They are the best posted on the matter; I would say yes.

Mr. FORT. And any provision that we can put in the legislation that would accomplish that purpose would meet your wishes, would it not?

Mr. CONNELL. Yes. May I say here that possibly there is no need of advisory councils for the board could call in those men without having them designated as advisory councils, to act in the same capacity.

Mr. FORT. But generally what you are after—and I think you are right—is that the approach by the board to any particular commodity problem should be only on the initiation of or through the commodity organizations that deal with that commodity?

Mr. CONNELL. If it is going to be a farmer-owned and farmer-controlled set-up, that is the way that the farmer could carry the matter clear to the Federal board.

Mr. FORT. There have been two lines of testimony here. Do you think the board should act in regard to wheat, for example, on its own motion, or should it wait for the commodity cooperatives to indicate some plan?

Mr. CONNELL. That information should be known both to the Federal farm board and to the commodity, and at the request of the commodity then the farm board should act, if in their minds there is a crisis and the necessity for such action.

Mr. FORT. But should they wait for such a request from the commodity or should they go ahead on their own judgment?

Mr. CONNELL. I should say they should wait for the request from the commodity.

Mr. FORT. You spoke about the undesirability of the individual producer owning stock. Of course, there is another reason, is there not, why the individual producer ought not to own too much stock, and that is that some of the big trade interests may also operate farms and would control the stabilization organizations if they controlled the stock?

Mr. CONNELL. If it is a farmer-owned or farmer-controlled organization, with a joint State or regional agency set-up——

Mr. FORT (interposing). I am talking now of the control of the stock. You feel that ought to be in the hands of the farmers' organization and not in the hands of the individual farmers?

Mr. CONNELL. Yes.

Mr. FORT. You have said that there ought to be one cooperative or corporation for each commodity. Did you hear Mr. Marshall's testimony this morning?

Mr. CONNELL. I heard a part of it.

Mr. FORT. Would you see any objection to the board financing perishables as a single commodity?

Mr. CONNELL. I can not answer that question.

Mr. FORT. Then, let us take your own commodity of grain. Would it not, perhaps, be wise for the board to have power to deal as a single commodity with the handling of, say, both wheat and rye?

Mr. CONNELL. Yes, sir; all grains, I would say.

Mr. FORT. Except where they are necessarily competitive, or would you do it where they were competitive?

Mr. CONNELL. I would set up such a corporation for grain and another one for dairy products, or I would handle it along those lines.

Mr. FORT. Then, you would have to give the board power to either separate or lump, as it saw fit.

Mr. CONNELL. Yes ,sir.

Mr. FORT. Would you see any possible desirability in having separate corporations to handle the different types of wheat?

Mr. CONNELL. None whatever.

Mr. FORT. You have also advocated, I think I saw in that telegram, that dividends on the stock of the stabilization corporation should be in proportion to the amount of the commodity marketed. Have you not advocated that?

Mr. CONNELL. Yes, sir.

Mr. FORT. I wonder if you have followed that all the way through. For instance, one year a given section might have a very short crop, and yet the cooperative in that section might have largely contributed initially and might have taken long chances in backing the stabilization corporation. It might have backed the proposition with very much more money, or it may have taken a much more active interest in it, or assumed a heavier financial interest in it than some other cooperative which in some years happens to market a larger amount of the commodity. Now, would it be fair to say that the proportion should be entirely on the basis of the commodity handled?

Mr. CONNELL. There is a possibility that the stabilization corporation would be compelled to function in, say, a winter-wheat district, and that would be handled as a separate item. That proration of dividends would be made to the winter-wheat section that was benefited by that particular transaction. In another case it might be functioning in a spring-wheat district. These are my personal views, and I have not discussed them. I speak of it in that way rather than as a commodity problem, affecting the handling of wheat for the stockholders.

Mr. FORT. I can see that in some years in the handling of winter wheat you might effect a somewhat less price for spring wheat, or a less price than the spring-wheat producer would have received because of the handling of the winter wheat or because of marketing it more slowly. But for that, the spring-wheat man might have gotten the benefit of a higher price.

Mr. CONNELL. He probably would.

Mr. FORT. It seems to me that if you are to have stabilization corporations you must divide the dividends on the basis on which the cooperatives go into the corporation and not on the basis of the particular quantity marketed each year.

Mr. CONNELL. That is a little too much detail. I have not gone into that.

Mr. FORT. You have talked a little on the subject of freight rates. Now, it is true, is it not, that perishable products need the very fine service that they are now getting?

Mr. CONNELL. I would presume so.

Mr. FORT. It is also true that bulk commodities, such as grain, do not need as good service as they are getting, is it not?

Mr. CONNELL. As good a service as they are getting?

Mr. FORT. Or as fast.

Mr. CONNELL. They do not need as fast or good a service as perishable products.

Mr. FORT. Are they not getting a better service than they really need?

Mr. CONNELL. Well, we are getting an efficient service. I would not say that it is faster than is needed. Possibly with the terminals that we have suggested here and the concentration of grain we could get along with a little less efficiency in that line.

Mr. FORT. What is in my mind—and it has been there for some time—is whether our rate structure as at present set up is not charging many commodities for a better service than they really need for the sake of carrying a very fine service for perishables and other goods.

Mr. CONNELL. I am not familiar with that question.

Mr. FORT. Now, you have spoken of the effect of stabilization corporations on the grain exchange markets. Do you not think that effect would be largely psychological?

Mr. CONNELL. I would say that stabilization corporations as set up in this plan would have the same effect as a policeman down here at a corner where you have none now.

Mr. FORT. And the bear would be afraid, perhaps, to sell short under those circumstances, would he not?

Mr. CONNELL. Probably.

Mr. FORT. Would it not also have another psychological effect in making it easier for the directors of the cooperative associations to feel that they could go ahead and hold off, knowing that there was an agency there that would support them against a panicky market?

Mr. CONNELL. Yes, sir.

Mr. FORT. So that even if it never operated, or bought a single bushel of wheat, it would still have that effect?

Mr. CONNELL. Yes, sir. There is a possibility that it would not have to function.

Mr. FORT. If the cooperative associations both owned and managed the stabilization corporation, thus knowing approximately the price at which the stabilization corporation intended to hold the price, they would be able to do very much better for their members in the marketing of their own wheat than an outsider would be.

Mr. CONNELL. As I said before, when properly organized, the farmers' cooperative would be the stabilization corporation itself.

Mr. FORT. It would result, perhaps, in giving the members a better price than the outsider could obtain.

Mr. CONNELL. Yes, sir.

Mr. FORT. And in that way, it would strengthen the membership of the cooperative association.

Mr. CONNELL. Yes, sir; it would create a desire on the part of nonmembers to join.

Mr. FORT. It would be giving him an advantage that the outsider would not have.

Mr. CONNELL. Yes, sir.

Mr. FORT. In your grain situation, with the combine method of harvesting, you have also developed a problem in getting the grain on the market when it is wet.

Mr. CONNELL. That has come about by the use of the combine method.

Mr. FORT. With a stabilization corporation in this position of certainly maintaining the market against shorts, would it not make it easier to induce farmers to hold their grain until it was fit for the market, rather than putting it on the market at the price that they can get for it when it comes out of the machine.

Mr. CONNELL. A better way, if it could be worked out, would be to have the ownership of the physical facilities. When that grain came on the market, or when the heavy-moisture grain came on the market, it would be sent into the terminals for drying.

Mr. FORT. The stabilization corporation through its activities could do that?

Mr. CONNELL. Yes, sir.

Mr. FORT. It could handle the wet wheat on the market?

Mr. CONNELL. When wheat is harvested, if it is wet, it must come on the market. That grain can not be held in the elevator or in storage tanks because it would spoil, so he must dump that wheat on the market. In other words, he must get rid of it as quickly as he can. Of course, the farmer is penalized very heavily in the price he receives for that class of wheat.

Mr. FORT. What I mean is that he would not have the same temptation to rush his harvesting and rush his marketing if there were something in the market to protect him, or some such organization as a stabilization corporation that would hold down the marketing and retain the price somewhere near what it should be?

Mr. CONNELL. I have found that our farmers seem to want to get their commodities harvested as soon as they possibly can.

Mr. FORT. Then, you do not think it would have any effect on that?

Mr. CONNELL. I doubt if it would.

Mr. NELSON. Referring again to the freight rate or freight service you are getting, is it not true that possibly the service is more rapid than the commodity demands? In other words, the development of

a barge-line service or the development of inland waterways would help?

Mr. CONNELL. It would help; yes, sir.

Mr. NELSON. It would help in giving lower freight rates?

Mr. CONNELL. We hope so.

Mr. NELSON. It is not necessary for wheat to move as rapidly as it is now moving at all times, or where wheat is marketed for export purposes or for billing at some distant point?

Mr. CONNELL. That is when it is moved. We have a very efficient service.

Mr. NELSON. Do you feel that the development of a barge-line service would be helpful, as, for instance, the line we are now starting from Minneapolis down the Mississippi River?

Mr. CONNELL. Yes, sir.

Mr. NELSON. Would that have the effect of lowering freight rates, as has been stated? I think I recall when Mr. Hoover was Secretary of Commerce he made an address at Kansas City in which he said that it would represent a saving, as I now remember, of 6, 7, or 8 cents a bushel on wheat. Do you agree with that statement?

Mr. CONNELL. In export wheat; yes, sir; there would be a saving.

Mr. NELSON. You feel that the matter of lower freight rates, such as might be worked out through the development of an inland-waterway system, would be of benefit to the wheat grower?

Mr. CONNELL. There would be a benefit to him, in the event he controls any marketing machinery, or if he owns any marketing machinery.

Mr. NELSON. You spoke a few minutes ago about the experiences of your association. What has been the attitude of the big millers of the country toward your association? Has it been helpful or not?

Mr. CONNELL. The milling interests have not been our enemy, I do not believe, and I can not see why a miller would object to a farmer seeking to protect the price of grain or from being in a position to bargain his wheat. I heard the statement made by the representative of the millers that the price of wheat did not make any particular difference to them. As it is, they buy wheat from the producers and hedge on the market. That is the evil now in the manner of doing business. I can not see any reason why, if the farmers control their product, the miller could not make a contract with the farm organization and get it without having to hedge.

Mr. MENGES. Do you think that a stabilization commission would be able to handle these products, especially wheat, and give the farmer the full benefit of the tariff, without any loss being sustained?

Mr. CONNELL. I would not make that statement. I think that with the control in the hands of the farmers and with the assistance of the stabilization corporation they could raise the price up and make it near the foreign price, plus the tariff.

Mr. MENGES. Do you think the stabiliaztion board could do that without any loss?

Mr. CONNELL. There would be losses in years, but over a period there might not be. Over a period, I doubt if the stabiliaztion corporation, acting on its information, would show any loss.

Mr. MENGES. Well, I hope you are right.

Mr. CONNELL. If the farmer owns and controls his organization, he retains an interest in that grain and, naturally, would be sus-

taining a part of that loss as well as the stabilization corporation. I believe he should do that because he is the man who is benefitting by it.

Mr. MENGES. Still that would not give him the full benefit of the tariff, would it?

Mr. CONNELL. It should do so. As I answered before, in the matter of protein wheat, there is no man in our section of the country——

Mr. MENGES (interposing). I understand that you are limiting this to wheat that commands a high price.

Mr. CONNELL. In our territory; yes, sir.

Mr. MENGES. But you would not say that would be true of soft wheat.

Mr. CONNELL. It should hold good there.

Mr. MENGES. The question is, Will it?

Mr. CONNELL. I can not commit myself on that.

Mr. ADKINS. You were speaking a while ago about dumping wheat on the market in July or August. I have here the statement of a cooperative concern that last year put wheat on the market in July or August, three-fourths of it in July. Do you think that is a proposition we want to get away from?

Mr. CONNELL. I certainly do.

Mr. ADKINS. We hear a good deal of talk about that. It seems to be fashionable to talk about that. I happen to know of a concern that has been called upon to build storage facilities. Now, in that connection, did you ever examine the records of the Chicago Board of Trade, which is one of the leading markets, for the last 80 years?

Mr. CONNELL. I have not gone over them; no, sir.

Mr. ADKINS. Those records show the high and low prices for grain every month covering a period of 85 years. Did you ever examine those figures?

Mr. CONNELL. No, sir.

Mr. ADKINS. With that idea of preventing them from taking advantage of the man who had to dump his product, they were figuring on having their company to build storage facilities; but when we examined those records, extending over a period of 85 years, we were astonished to find what a small number of years there were when the man who did hold his wheat ever got any more than the man who sold, or where he ever got any more than his carrying charges for holding it.

Mr. CONNELL. He had to get the carrying charges.

Mr. ADKINS. He did not get any more than the man who sold. It was to his advantage in such a small number of years that they did not feel justified, or this company did not feel justified, in building those storage facilities in which to hold that wheat for orderly marketing. When they could buy it from the exporting countries—Canada and the exporting countries of the Southern Hemisphere, or when they could buy it from those two parts of the world—they were not sufficiently interested in our market. It was only in those years when either in Canada or in the Southern Hemisphere there was a shortage of wheat that it would pay to hold it. There was not enough advantage in it, from our studies of the figures, to justify the investment in a storage plant for holding wheat in that particular locality. We studied the records and did not feel justified in taking

the risk. We were not justified in making the investment or in taking our chances on overstaying the market to avoid suffering a loss. A very considerable investigation was made covering, as I have said, a period of 85 years. I will put those figures in the record. For instance, here is a record covering every month in the year. I have it for 80 years, and this is typical of the corn and wheat situation.

Of course, they are really different propositions. It is different from marketing corn. I am presenting this matter to you for consideration because we must consider all these things, and the representatives of the organizations must work out this so-called stabilization program. Now, as I have said, with your corn you have a different proposition. If you had a corporation to direct the marketing of corn, you could not put it on the market under the same conditions. You would have to do it more uniformly throughout the year. Now, I will give you the figures for January, 21,000 bushels; February, 32,000 bushels; March, 37,000 bushels; April, 24,000 bushels; May, 27,000 bushels; June, 14,000 bushels; July, 8,000 bushels; September, 34,000 bushels; October, 11,000 bushels; November, 63,000 bushels; and December, 32,000 bushels.

Now, as I have said, after making that exhaustive study with a view to enabling the company to build storage facilities for the holding of patrons' wheat, we could not figure that there would be any money made by doing so. We came to that conclusion after going over the records, as I have said, for the past 80 years.

Mr. CONNELL. The figures you read there on corn would not represent our idea of orderly marketing. If we had control of a product, we would not put 30,000 bushels on the market to-day and 30,000 bushels to-morrow; we would not do it in that order. We would put that grain on the market according to the demand in the market.

Mr. ADKINS. I do not know about that. This is spreading it out. This holds over a period of 12 months. I do not know of any way it could be done that would be any more orderly than it is being done now. Now, in the financing of the cooperatives, it was the experience of this company, which was one of the most successful, that it was like performing a surgical operation on a man to get him to take shares of stock in it, because if he got in on the minimum amount and was a larger producer, he would be participating in the patronage dividends. There were $4,000 to be distributed in patronage dividends, and if a small stockholder were the largest producer, of course, he got those patronage dividends. This company had to be financed out of its earnings because of the reluctance of the men to put any money into it. That was because they did not want to hazard their cash in it when they could get the benefit of it anyhow. Therefore, in the matter of stabilization corporations, will you not find some difficulty on that account? You will have to start with a very nominal amount of stock, if you ever start at all, and will finally have to finance it out of earnings.

Mr. CONNELL. It would not be my idea to pay patronage dividends in the way you have explained.

Mr. ADKINS. I understand that you would pay the dividends on the stock rather than in the form of patronage dividends. We pay 6 per cent on the money invested. We had $7,000, and about $4,000

went to pay patronage dividends. You get the money, and the money is invested at 6 per cent, and then all of the balance of the profit goes back on the patronage dividend basis. We have a large number who will go in for as little as they can in order to get the benefits. Is not that the trouble in financing such a corporation?

Mr. CONNELL. That is on a little different line from the way we work.

Mr. ADKINS. How long are they in?

Mr. CONNELL. For five years.

Mr. ADKINS. Have you had any of the 5-year memberships to expire?

Mr. CONNELL. Yes, sir.

Mr. ADKINS. Do they come back again very readily?

Mr. CONNELL. No, sir.

(Thereupon, at 12.35 o'clock p. m., the committee took a recess until 1.35 o'clock p. m.)

AFTER RECESS

The committee reassembled at 1.35 o'clock p. m., at the expiration of the recess.

Mr. PURNELL (presiding). The committee will be in order. Mr. Clarke, have you any questions?

Mr. CLARKE. Mr. Connell, in your direct testimony you evidenced familiarity with the Canadian pool. Is there a public record of what its transactions are; the membership, the acreage, and the volume controlled?

Mr. CONNELL. I believe that there is. May I answer that question in this way: I understand that the Senate has extended an invitation to the president of the Canadian pools, and I do not doubt but what they will be down here, and in that event it might be worth while for you gentlemen to invite them to appear here and explain those pools.

Mr. CLARKE. May I ask you, in the event that the Senate does not get into the record these facts, that you will try to secure them and send them to the committee, so that we can get them into the record?

Mr. CONNELL. I would be very glad to do that.

Mr. CLARKE. First, the number in the pool; the acreage represented; the bushels produced; the investment they have made in capital account, in warehouses and docks; agencies established; percentage of the whole crop produced in Canada; the foreign avenues and approaches to marketing the product of the pool; the reflex of their cooperation with you, for instance, representing a pool in the State of Minnesota, and its effect upon you.

Will you agree to put that in the record, or try to obtain it?

Mr. CONNELL. I will be glad to do that, and I am sure I can furnish you with that information.

Mr. CLARKE. There is one other point that I want to bring out. I direct your attention here to a map of the United States, divided by counties, prepared by the Department of Agriculture, showing the effect at present under the warehouse act of the storage under Government supervision, in Government-supervised warehouses, of agricultural commodities.

Mr. CONNELL. May I interrupt there? Is that National or State?

Mr. CLARKE. National. You will note from the different colorings here the different agricultural commodities that are already produced and placed in Government-supervised warehouses. It is shown by the evidence in other hearings under the warehouse act that loans to either cooperatives or individuals have been within the last year up to $1,000,000,000. I ask you this: Why, if the agencies under the warehouse act are extended the appropriations made necessary to bring it to its true fruition, should it not prove an effective stop-gap in forcing upon the market the farmers' products at a time when they should not be forced upon the market, by storing them in these Government-supervised warehouses?

Mr. CONNELL. I am not familiar with that national warehousing act; but we have a State act under which the farmer can store his grain at any time over any period; but he can not borrow the full amount of value when he stores it. He must either sell or borrow.

Mr. CLARKE. He can borrow 75 per cent; is that right?

Mr. CONNELL. That is right; through his State organization. I do not think it is possible to borrow Government funds direct on storage certificates.

Mr. CLARKE. The intermediate credit banks furnish credits for you there.

Mr. CONNELL. Personal loans, through the farm-loan banks?

Mr. CLARKE. Yes.

Mr. CONNELL. Yes; I guess that is so.

Mr. CLARKE. Do you not think this could be made of very effective assistance to the farmer?

Mr. CONNELL. It will have to fit in with any action that is taken. That is what is necessary; physical handling facilities.

Mr. CLARKE. That is all.

Mr. PURNELL. Have you any questions, Mr. Hope?

Mr. HOPE. Yes; I have a few questions I want to ask.

I believe that you stated, Mr. Connell, that your greatest handicap now is the lack of handling facilities.

Mr. CONNELL. And finances.

Mr. HOPE. And finances. Well, if you had the finances, of course you could get the handling facilities. There is no way now by which you can get funds with which to purchase country elevators; is that your situation?

Mr. CONNELL. Not unless we should borrow from banks or outside agencies.

Mr. HOPE. That is one thing that an organization like yours would do if it could procure Government funds, as provided by the terms of the McNary bill, is it?

Mr. CONNELL. Yes, sir.

Mr. HOPE. That would be the first thing that you would do to make your organization effective; is that correct?

Mr. CONNELL. Yes; procure those physical handling facilities.

Mr. HOPE. Is it your idea that an individual cooperative elevator, such as we have scattered all over the country, should become a stockholder in this stabilization corporation and participate in it just the same as a larger organization like your own?

Mr. CONNELL. They could do that.

Mr. HOPE. And would that be practicable and feasible?

Mr. CONNELL. The local farmer elevator must fit into this scheme. Just how we can fit that in is rather a question. They should be owned or at least controlled by State set-up. The different between that and the present set-up is that these are all individual farmer-owned elevators, but at the time that they send in their grain it must be sold at the time of delivery, whereas the pooling plan advances only 75 per cent of the market value of the grain, and therefore is able to hold that back off the market, mix it, and blend it, and put it on at any time that there is a demand for a certain grade and certain protein.

Mr. HOPE. Yes; but if an individual cooperative elevator should become a part of this stabilization corporation, by taking stock in it, it would be able to participate in any plan for stabilizing prices, would it not?

Mr. CONNELL. If there was any profit in the stabilization organization, yes; but the grain would still have to be marketed at the time it was received at the terminal, or it would have to be sold from the farmer elevator to the stabilization corporation. In the pooling plan the pool would hold back the grain at the same time that the stabilization corporation was functioning in the purchase of the grain offered at a certain price.

Mr. HOPE. Yes. In other words, there really would not be very much difference, in following that plan, between a local cooperative elevator and a privately owned elevator? Is that your position in the matter?

Mr. CONNELL. I can best explain that, I believe, in this manner, and that is by calling your attention to the manner of the organization of the Land of Lakes, one of the largest cooperative associations in the United States. Their contract is between the Land of Lakes, a State organization, and the individual creamery, but the individual creamery in this case is the producer of the product, whereas in grain the individual farmer is the producer. Now, then, when we come to the farmer elevator, the farmer elevator, if it had a contract with the stabilization corporation or with a State organization or a district organization, would necessarily have to have a contract, in my opinion, with the individual grower, which would be possible, and which should, in my opinion, work out just as successfully as a direct contract between the grower and the State organization, providing it was pooled. I have covered that in my brief. In some cases it depends upon the locality and would have to be worked out according to the way that locality has marketed its grain in the past through farmer units.

Mr. HOPE. You think that any successful plan of stabilization through a stabilization corporation must of necessity include the local farmer elevators as we have them now?

Mr. CONNELL. They should be included.

Mr. HOPE. How large a proportion of the crop do you think would have to be handled through cooperatives and through a stabilization corporation in order to effectually stabilize the price?

Mr. CONNELL. In my opinion, 50 per cent would go a great way toward doing that.

Mr. HOPE. How generally do you think that individual farmers would contract with a local elevator on a contract of this kind?

Mr. CONNELL. Are you referring to the pooling plan or to the direct farmer elevator plan as it is now?

Mr. HOPE. The direct farmers' elevator; that is, the individual cooperative elevator, standing by itself.

Mr. CONNELL. In a farmer-owned, farmer-controlled organization, with Government funds behind it, I would feel that it would be a matter of but a few years before 75 per cent of the farmers would join such a set-up.

Mr. HOPE. How large a percentage of the price of the grain do you think that your organization ought to pay in order to operate effectively? You say you pay 75 per cent at the present time, but you could pay more with the assistance of Government funds?

Mr. CONNELL. Yes, sir.

Mr. HOPE. What amount would you say?

Mr. CONNELL. That would be an incentive on the part of the farmer in his present condition to join these organizations. At the present time it is a shortage of money that is compelling them to a great extent to stay out of such organizations.

Mr. HOPE. How high would you go? What percentage do you think you could safely pay if you could procure the funds to do it?

Mr. CONNELL. That depends entirely upon the stabilization of the product.

Mr. HOPE. Well, you would have to arbitrarily take some figure to start with.

Mr. CONNELL. There is no danger, in my opinion, in paying at least 85 per cent. That ranges now, you understand, according to the market, and those fluctuations that are now in the market are unnecessary, and as the associations were built with the assistance of the stabilization corporation, it would stabilize the prices, put them on a more level basis, and then you could loan with safety a higher rate.

Mr. HOPE. Have you given any consideration to the provision for insurance against price declines contained in the McNary bill?

Mr. CONNELL. I have not, for this reason: Organizations of our kind are the ones that are benefitting. Our members are, and they naturally should assume a certain amount of responsibility, and in a short time reserves could be built up to well take care of that.

Mr. HOPE. That is all, Mr. Chairman.

The CHAIRMAN. Mr. Brigham.

Mr. BRIGHAM. I believe you spoke with approval of the Canadian wheat pool, did you not?

Mr. CONNELL. Yes, sir.

Mr. BRIGHAM. And you referred to what is known as the Canadian Cooperative Wheat Producers (Ltd.)?

Mr. CONNELL. It is the wheat pool that I referred to.

Mr. BRIGHAM. Well, that is the corporate name for it, is it not?

Mr. CONNELL. The Canadian Wheat Pool.

Mr. BRIGHAM. The corporate name is the Canadian Cooperative Wheat Producers (Ltd.)?

Mr. CONNELL. That is the sales agency of the individual pools.

Mr. BRIGHAM. Are you familiar with the organization of this Canadian wheat pool?

Mr. CONNELL. To some extent.

Mr. BRIGHAM. Can you tell what proportion of the wheat crop of Canada is marketed through this pool?

Mr. CONNELL. Over 50 per cent of the wheat grown in the three western Provinces.

Mr. BRIGHAM. And can you tell the committee just what part the Canadian Government, either the Dominion government or the Provincial governments, have had in the organization and financing of that pool?

Mr. CONNELL. Not in detail; no, sir. They have helped to a great extent. If you wish to put that with the questions asked by Mr. Clarke, I will try to get that information for you in more detail.

Mr. BRIGHAM. You do not know whether the Government has loaned money to the pool at a cheaper rate?

Mr. CONNELL. I can not state that definitely; no. I believe they have, but I can not state it definitely.

Mr. BRIGHAM. Would you limit membership in the stabilization corporations to cooperative organizations?

Mr. CONNELL. I would.

Mr. BRIGHAM. I believe it developed yesterday in the testimony that somewhere about 15 per cent of the American product was marketed through cooperative organizations at present.

Mr. CONNELL. I believe it is 25 per cent, is it not, which in some manner or other, or at some time or other, goes through some form of cooperative marketing association.

Mr. BRIGHAM. Some witness yesterday said 15 per cent.

Mr. CONNELL. I have understood 25.

Mr. BRIGHAM. Well, assuming that it is 25, is that, in your opinion, a large enough percentage to enable the stabilization corporation operating solely through cooperative organizations to be effective in the stabilization of the price?

Mr. CONNELL. That is a pretty hard question to answer. I would say that the greater amount of product that could be marketed through those cooperatives naturally would have that much more effect on the market and cause that much less responsibility on the part of the stabilization corporation.

Mr. BRIGHAM. Assuming that the farm board found that percentage too small to operate effectively, would you advise that the stabilization corporation contract with private corporations?

Mr. CONNELL. I would advise loans to the cooperative organizations now in existence that were chosen by the farm board, to extend their membership, and be given loans for that purpose.

Mr. BRIGHAM. Just how far should the farm board go in a program of enlarging cooperative organizations?

Mr. CONNELL. I believe at this time they could well afford to set up a fund of $10,000,000.

Mr. BRIGHAM. And just what would they do with that fund?

Mr. CONNELL. I could explain briefly what we would do with it in our case. We would appear before the farm board and ask for this money, and as collateral for this loan we would put up our contracts. In those contracts is a provision that the membership fee be taken out of the product or commodity when it is delivered, and the loan possibly would need to be spread over a period of three to five years; I doubt if that long.

Mr. BRIGHAM. In your opinion should the Federal farm board send agents into sections where there are no cooperative organizations and attempt to organize and set up cooperative organizations?

Mr. CONNELL. That, in my opinion, should be left to the State farmers who are interested enough to form those associations, and I think that the Federal farm board should extend all possible help along educational and financial lines to organize.

Mr. BRIGHAM. That is, if I understand you correctly, the farm board should devise a system and say to the farmers of America, "If you will qualify by doing certain things, we will come to your assistance."

Mr. CONNELL. That is correct.

Mr. BRIGHAM. And if the farmers do not qualify in that regard, you would withhold the assistance?

Mr. CONNELL. In that particular case. You can not force a farmer to do things, in my opinion. You must help him along and invite him in, rather than force him in.

Mr. BRIGHAM. But under no consideration would you have a farm board empowered to enter into contractual relations with privately owned grain marketing agencies?

Mr. CONNELL. Certainly not.

Mr. BRIGHAM. That is all.

The CHAIRMAN. I believe that you stated that the carrying over of the crop results in a gain to the producer.

Mr. CONNELL. Orderly marketing of the crop would——

The CHAIRMAN (interposing). We are speaking now of the carry-over from harvest time; for instance, the carry-over of wheat from last September to the present day. What return is there in the carry-over? Is there any profit in holding the wheat back?

Mr. CONNELL. I made the statement that I felt that the dumping season, as we know it, has a bad effect on the market.

The CHAIRMAN. Is it not a fact that wheat to-day is selling at a lower price than it did in the dumping season?

Mr. CONNELL. I believe that is right at the present time.

The CHAIRMAN. Is not that true every year?

Mr. CONNELL. Not every year; I would not say that.

The CHAIRMAN. Mr. Adkins pointed out the record for 85 years; it has been the case for 85 years.

Mr. CONNELL. I can only answer that question in this way, Mr. Chairman. That is, if that is true, why are there so many grain firms in that business?

The CHAIRMAN. I can not account for the grain firms. They have different power.

Mr. CONNELL. We want that power.

The CHAIRMAN. They control. They put it up and down to suit themselves. You and I can not do that.

Mr. ADKINS. I can make this information a part of the record if the committee wishes.

The CHAIRMAN. I know that to be a fact, because I have had over 40 years' experience. I could sell my oats last fall for more than I can at the present time. It is true of barley and it is true of wheat. You are aware of the fact that wheat was more in northern Minnesota and in North Dakota in September than it is at the present time. You also may recall that some farmers held wheat for a

higher price. They were offered $2 and finally sold for $1. That was only a few years ago.

Mr. CONNELL. If you have control of 50 per cent of this wheat——

The CHAIRMAN. We will get to that. I am now speaking of the carry-over.

Now, your organization is interested in this marketing proposition, in building up your own organization?

Mr. CONNELL. Yes, sir.

The CHAIRMAN. Are you interested in the prices obtained?

Mr. CONNELL. That is one of our main aims.

The CHAIRMAN. Are you in favor of giving the farmer the benefit of the tariff?

Mr. CONNELL. Yes.

The CHAIRMAN. How are you going to do it under your plan? Let us have something specific. You agree with every witness that has appeared before this committee that the only way you can make the tariff effective is either by pooling production or taking control of the whole production. Do you know of any other plan?

Mr. CONNELL. I can not answer that definitely. I think, personally, that with 50 per cent control you can procure a higher price level which is nearer the world market plus the tariff than we are procuring to-day.

The CHAIRMAN. How are you going to get the 50 per cent under your plan?

Mr. CONNELL. With the assistance of the Government.

The CHAIRMAN. You spoke about the organization in Canada controlling what percentage of the crop; under 80 per cent?

Mr. CONNELL. Better than 50 per cent.

The CHAIRMAN. You started about 10 years ago, did you not? I mean the cooperatives in Wisconsin.

Mr. CONNELL. Our association started in 1923. The wheat pools probably two years before the Canadians.

The CHAIRMAN. You started before Canada. I have discussed this with a number of cooperatives and I have been told that they have all given up in despair. That it is impossible to accomplish a 100 per cent pool voluntarily. That is the experience in our country. That is the experience in Canada. That is the experience we have had. There is no way of making the tariff effective unless you can pool all the production.

Mr. CONNELL. Unless we pool the entire production?

The CHAIRMAN. Yes.

Mr. CONNELL. I do not think that that is necessary. I believe that 75 per cent control will do it.

The CHAIRMAN. Then why are the producers not getting the benefit of the tariff?

Mr. CONNELL. Because we have not got that control.

The CHAIRMAN. You say it is not necessary to have a 100 per cent pool. Then I ask you why you are not interested in securing the benefit of the tariff, if you are interested in the farmer.

Mr. CONNELL. We have much less than 75 per cent control.

The CHAIRMAN. I thought you said 50 per cent.

Mr. CONNELL. The Canadian pool has 50 per cent, not the United States pools.

The CHAIRMAN. How much benefit do they get from the tariff? What is their gain?

Mr. CONNELL. I can not answer that, Mr. Chairman.

The CHAIRMAN. Do you contend that you are getting the benefit of the tariff to-day? We have a 42-cent tariff on wheat. Are you getting the benefit of it?

Mr. CONNELL. To a certain extent the spring wheat is getting the benefit of that.

The CHAIRMAN. You limit your answer to spring wheat. Why? We have no surplus. We are competing with Canada and in that respect we get the benefit of the tariff to a certain extent. In the lower grade of wheat are you getting any benefit or did you ever get any benefit?

Mr. CONNELL. No; I do not believe we have.

The CHAIRMAN. The fact is that we are selling our wheat at 7 cents a bushel less than Canada while Canada is our competitor, and still we have to get our supply from Canada. We are selling our wheat for from 7 cents to 11 cents below Canada.

Mr. CONNELL. Yes; at the present time.

The CHAIRMAN. Where does the tariff come in? I understood you to say that the tariff was the panacea for this trouble; how do you figure that out? You figure that by increasing the tariff it would help you?

Mr. CONNELL. It must be made effective before you can——

The CHAIRMAN (interposing). Can you tell me how you are going to make it effective unless you pool all production or have a Government subsidy?

Mr. CONNELL. As I stated before, I think a percentage control will do it.

The CHAIRMAN. I asked you the question because we have had a good many witnesses before us and no one has even suggested a plan. If you have a plan we would like to have it.

I asked you whether you are interested in the farmer getting the benefit of the tariff. I thinkg everyone is agreed that the tariff can not be made effective without a pooling of the whole production. Would you let them go without getting the benefit of the tariff rather than have a plan that might give them the benefit of it?

Mr. CONNELL. I think we should have a plan as nearly as possible that will make the tariff effective.

The CHAIRMAN. Has anybody suggested just such a plan? Do you know of any such plan? The plan you suggest will not do it. I do not think anybody will contend that that will give them the benefit of the tariff.

Mr. CLARKE. As I understand it, Mr. Chairman, the difference between you and the witness is, one plan is voluntary and the other is involuntary.

The CHAIRMAN. Do you think it is possible to accomplish a 100 per cent pool voluntarily?

Mr. CONNELL. That would remain to be seen.

The CHAIRMAN. Have we not given 10 years trying to do it?

Mr. CONNELL. No; not with the Government behind it.

The CHAIRMAN. You say voluntary pooling: Now, we have had 10 years' experience. I have discussed this with a number of cooperative people and they have given up in despair and some of the

most excellent men I know of have been engaged in that business in an honest effort to bring about a one hundred per cent pooling. They have failed. This committee has had a number of suggestions here to do things. While we were discussing future trading some years ago, we had a lot of people before us and we were told, "We have solved the problem." A committee of 17 was appointed and it raised or spent five or six hundred thousand dollars and it never marketed a carload of grain.

Now, you say that you had some trouble in organizing. Naturally you would have. After the members put up five or six hundred thousand dollars they are not apt to put up more money.

If you have something to suggest to bring about cooperation and to make the tariff effective, if you are in favor of giving the farmer the benefit of the tariff, and if you think he is entitled to it, let us have it.

Mr. CONNELL. The plan I have proposed is a voluntary plan with financial assistance from the Government.

The CHAIRMAN. I understand the plan, but I am now trying to determine what may be expected of it.

Mr. CONNELL. We may find that we may have to come back to some such plan.

The CHAIRMAN. Yes; we have been told that for 20 years. Why not do it right from the start? The committee of seventeen took hold of it and spent five or six hundred thousand dollars. Then another fellow came along, and they joined partnership with some people in Chicago, and I think they lost $2,000,000. Let us do something this time that will get results. If you have something to offer, something that will give results, that is what we want. I would like to see your organization built up, but let us couple with it something, as we have in the past, that will give the farmer relief. That is what we are striving for.

The Republican Party and the Democratic Party have promised to make the tariff effective. Some suggest a subsidy; others object to a subsidy. The question is, what can we do now? What can we do to put the farmers on an equality with others? That is what the party platforms promise. We are interested in building up your organization, but the main thing is to get something of relief for the farmer. If you can suggest anything along that line, we will be pleased to have you do so.

Mr. ANDRESEN. Mr. Chairman, may I ask a question at this time?

The CHAIRMAN. Yes.

Mr. ANDRESEN. As I understand it, Mr. Connell, your organization intends to build from the bottom up, by getting members into it, having a voluntary pool with the idea of raising the price level.

Mr. CONNELL. Yes.

Mr. ANDRESEN. With the ultimate goal of paying the farmer the world price plus the tariff.

Mr. CONNELL. That is correct.

Mr. ANDRESEN. Having sufficient financial backing from the Government in order to carry out such a program.

Mr. CONNELL. That is our program.

Mr. ANDRESEN. That is the basis of your program?

Mr. CONNELL. Yes; it is.

Mr. ANDRESEN. That is all.

Mr. KINCHELOE. I would like to ask a question or two, Mr. Chairman, if I may. I do not know whether you answered this or not, but does your association own the warehouses in which your products are stored?

Mr. CONNELL. No; we are under State supervision and do not own any warehouses.

Mr. KINCHELOE. Did you ever try the plan as it was tried by the tobacco growers' cooperatives, namely, when its members joined, they joined for five years?

Mr. CONNELL. Yes.

Mr. KINCHELOE. And the contracts that they signed gave the board of directors of these cooperatives the power to take a certain per cent of the money of the crop—I think it was for two or three years—out of the treasury with which to buy the warehouses. Did you ever try that?

Mr. CONNELL. We have a reserve account, but we have never purchased warehouses.

Mr. KINCHELOE. You have never applied it to buying warehouses?

Mr. CONNELL. Some of the pools have, but we have not.

Mr. KINCHELOE. Do you have any trouble getting financed up to 75 per cent of the value of your crops?

Mr. CONNELL. No.

Mr. KINCHELOE. You can borrow that from private sources, can you not?

Mr. CONNELL. We get it through intermediate credit banks. The only objection is that it is all six months paper.

Mr. KINCHELOE. Can you not borrow it from private sources?

Mr. CONNELL. We have had some difficulty with that, with one exception, but understand we are in the grain center and we are on the opposite side of the fence and we have had a little difficulty there in our own city.

Mr. KINCHELOE. The tobacco cooperatives never have any trouble borrowing money. They borrowed it from Wall Street. But what broke that system down, and I think it would break down any, is this: You say that 50 per cent control will put it over. We had 65 per cent.

Mr. CONNELL. Well, you were successful until your contracts ran out.

Mr. KINCHELOE. Here is what broke it down. These fellows that were in, the 65 per cent of them, only got about 65 per cent of their money down, while the fellow on the outside got the benefit of the increased price and also got all his money down. The 65 per cent of the fellows on the inside then said, "We have held the bag long enough. Either we will all go in, or we will go out."

Mr. CONNELL. Those that were in benefited by the higher price level.

Mr. KINCHELOE. Those that were on the outside also got the benefit of the higher price. My opinion is that you are not going to have a successful cooperative marketing association in this country of any farm product unless you can pay the farmer that comes in all of his money, less the fee. What inducement is there for me, for instance, as a farmer, to come into your pool and get 75 per cent of my money down when Mr. Fulmer, let us say, who is on the out-

most excellent men I know of have been engaged in that business in an honest effort to bring about a one hundred per cent pooling. They have failed. This committee has had a number of suggestions here to do things. While we were discussing future trading some years ago, we had a lot of people before us and we were told, "We have solved the problem." A committee of 17 was appointed and it raised or spent five or six hundred thousand dollars and it never marketed a carload of grain.

Now, you say that you had some trouble in organizing. Naturally you would have. After the members put up five or six hundred thousand dollars they are not apt to put up more money.

If you have something to suggest to bring about cooperation and to make the tariff effective, if you are in favor of giving the farmer the benefit of the tariff, and if you think he is entitled to it, let us have it.

Mr. CONNELL. The plan I have proposed is a voluntary plan with financial assistance from the Government.

The CHAIRMAN. I understand the plan, but I am now trying to determine what may be expected of it.

Mr. CONNELL. We may find that we may have to come back to some such plan.

The CHAIRMAN. Yes; we have been told that for 20 years. Why not do it right from the start? The committee of seventeen took hold of it and spent five or six hundred thousand dollars. Then another fellow came along, and they joined partnership with some people in Chicago, and I think they lost $2,000,000. Let us do something this time that will get results. If you have something to offer, something that will give results, that is what we want. I would like to see your organization built up, but let us couple with it something, as we have in the past, that will give the farmer relief. That is what we are striving for.

The Republican Party and the Democratic Party have promised to make the tariff effective. Some suggest a subsidy; others object to a subsidy. The question is, what can we do now? What can we do to put the farmers on an equality with others? That is what the party platforms promise. We are interested in building up your organization, but the main thing is to get something of relief for the farmer. If you can suggest anything along that line, we will be pleased to have you do so.

Mr. ANDRESEN. Mr. Chairman, may I ask a question at this time?

The CHAIRMAN. Yes.

Mr. ANDRESEN. As I understand it, Mr. Connell, your organization intends to build from the bottom up, by getting members into it, having a voluntary pool with the idea of raising the price level.

Mr. CONNELL. Yes.

Mr. ANDRESEN. With the ultimate goal of paying the farmer the world price plus the tariff.

Mr. CONNELL. That is correct.

Mr. ANDRESEN. Having sufficient financial backing from the Government in order to carry out such a program.

Mr. CONNELL. That is our program.

Mr. ANDRESEN. That is the basis of your program?

Mr. CONNELL. Yes; it is.

Mr. ANDRESEN. That is all.

Mr. KINCHELOE. I would like to ask a question or two, Mr. Chairman, if I may. I do not know whether you answered this or not, but does your association own the warehouses in which your products are stored?

Mr. CONNELL. No; we are under State supervision and do not own any warehouses.

Mr. KINCHELOE. Did you ever try the plan as it was tried by the tobacco growers' cooperatives, namely, when its members joined, they joined for five years?

Mr. CONNELL. Yes.

Mr. KINCHELOE. And the contracts that they signed gave the board of directors of these cooperatives the power to take a certain per cent of the money of the crop—I think it was for two or three years—out of the treasury with which to buy the warehouses. Did you ever try that?

Mr. CONNELL. We have a reserve account, but we have never purchased warehouses.

Mr. KINCHELOE. You have never applied it to buying warehouses?

Mr. CONNELL. Some of the pools have, but we have not.

Mr. KINCHELOE. Do you have any trouble getting financed up to 75 per cent of the value of your crops?

Mr. CONNELL. No.

Mr. KINCHELOE. You can borrow that from private sources, can you not?

Mr. CONNELL. We get it through intermediate credit banks. The only objection is that it is all six months paper.

Mr. KINCHELOE. Can you not borrow it from private sources?

Mr. CONNELL. We have had some difficulty with that, with one exception, but understand we are in the grain center and we are on the opposite side of the fence and we have had a little difficulty there in our own city.

Mr. KINCHELOE. The tobacco cooperatives never have any trouble borrowing money. They borrowed it from Wall Street. But what broke that system down, and I think it would break down any, is this: You say that 50 per cent control will put it over. We had 65 per cent.

Mr. CONNELL. Well, you were successful until your contracts ran out.

Mr. KINCHELOE. Here is what broke it down. These fellows that were in, the 65 per cent of them, only got about 65 per cent of their money down, while the fellow on the outside got the benefit of the increased price and also got all his money down. The 65 per cent of the fellows on the inside then said, "We have held the bag long enough. Either we will all go in, or we will go out."

Mr. CONNELL. Those that were in benefited by the higher price level.

Mr. KINCHELOE. Those that were on the outside also got the benefit of the higher price. My opinion is that you are not going to have a successful cooperative marketing association in this country of any farm product unless you can pay the farmer that comes in all of his money, less the fee. What inducement is there for me, for instance, as a farmer, to come into your pool and get 75 per cent of my money down when Mr. Fulmer, let us say, who is on the out-

side, gets just as good a price, because you and I and the rest of us have made that price, and also gets from a private dealer 100 per cent down? How long do you thing I am going to stay in on that basis?

Mr. CONNELL. Will he get a better price?

Mr. KINCHELOE. He will get as good a price.

Mr. CONNELL. If we have this set-up, and we have the assistance of the stabilization corporation to stabilize that price, the cooperative organization is going to hold their products off the market at the time that the stabilization corporation is functioning. Then who suffers? It is the man on the outside who is selling his product at the price at which the stabilization corporation is buying.

Mr. KINCHELOE. The buyer on the outside will first go and buy all he can from the farmer on the outside, and therefore he keeps down the price of the man on the inside.

Mr. CONNELL. The man on the outside does not know what this price is being fixed at by the stabilization corporation. It is the cooperative organizations that have that information.

Mr. KINCHELOE. In this tobacco pool the 65 per cent that were in saw what they were up against and they quit. I agree with the chairman as to the solution of the problem. Take wheat or any other product in which there is a surplus. You can not make the tariff effective unless you take care of that surplus.

For instance, we raise in this country about 800,000,000 bushels of wheat. We consume about 650,000,000 bushels. You have an average surplus of 150,000,000 bushels that you have got to sell in the world's markets. If we had some set-up, and, perhaps, some assistance from the Federal Government whereby we could take those 150,000,000 bushels surplus off the market immediately, a tariff of 42 cents will become effective because the domestic price would go up automatically. Do you not think that that is sound?

Mr. CONNELL. That was attempted at one time.

Mr. KINCHELOE. But you never did have the money nor the facilities with which to do it. You never had the assistance of the Federal Government.

With reference to this revolving fund, I think that for a while, of course, the Government is going to lose money. I am not deceived about that.

Mr. CONNELL. It may, to begin with; yes.

Mr. KINCHELOE. But I believe that can be worked out with the right kind of a board that has really got the farmers' interest at heart and is organized to work for the farmer. I do not think it will take but a very few years during which the Government may lose money before your cooperatives and everyone else, over a period of years, are going to make some money and are going to have some capital.

In other words, in a short while with the ebb and flow of prices, and being able to take advantage of the higher prices at which to sell and the low prices at which to buy, you are going to be able to finance yourselves. And if you can finance yourselves, the farmer on the outside will say, "There is no need of my staying out. I can get all of my money down."

You are not going to get, in my judgment, the farmers in on a 65 or 75 per cent basis. In my country they got their fill of that.

Mr. CONNELL. That is one of the ideas of one of the loans that I spoke about; that is, for the Government to advance an additional 10 per cent at least—10 or 15 per cent—on the crop when it is delivered.

Mr. KINCHELOE. You mean out of this revolving fund?

Mr. CONNELL. Yes.

Mr. KINCHELOE. I think that is the solution. I agree with you. I think that is the only way in which you can have effective cooperative marketing in any farm product.

The CHAIRMAN. If that is all, we thank you very much for your testimony. We will call the next witness.

STATEMENT OF S. J. COTTINGTON, PRESIDENT FARMERS GRAIN DEALERS' ASSOCIATION OF IOWA, CHICAGO, ILL.

The CHAIRMAN. State your name and who you represent.

Mr. COTTINGTON. I am S. J. Cottington. I am president of the Farmers Grain Dealers Association of Iowa and a director in the National Farmers Grain Dealers Association, composed of 12 Middle West States. I am also president of the National Farmers Elevator Grain Co., cooperative.

Mr. ADKINS. Where is your office?

Mr. COTTINGTON. Our office is in Chicago, but in Chicago you will find that we are known as the Rural Grain Co., not as the National Cooperative.

This national is composed of about 5,000 local farmers elevators in the Middle West States. Has capital investment of approximately $65,000,000, a stockholder membership of 500,000, and patrons of over 1,000,000. Also am president National Farmers Elevator Grain Co., Cooperative, which is a part of the National Federation of Cooperative Grain Sales Agency, which operates on the different terminal markets and handled over 36,000,000 bushels of grain last year.

Our organization has in mind some definite ideas and policies which we think would relieve the agricultural situation. While possibly this may not be the correct committee to work out some of the necessary things that must be done to get relief, but we do hope for the cooperation of this committee to help up work out the proposition as a whole.

(1) We think that a Federal farm board should be set up. This board should be in a position to do investigation and research work, toward the stabilizing production as well as marketing. Should be independent and be given broad powers, farmer-minded and know the farmer situation, so that they may be able to do the things that are necessary to be done to give farm relief and make it effective.

(2) Think it would be desirous that the members of this board be appointed from the leading cooperative commodity organizations rather than territorially or politically.

(3) Advisory council boards should be created from the different cooperative marketing agencies or organizations.

(4) Do not think that there should be any fund for the purpose of promoting or organizing new cooperative marketing organizations, but a small fund may be desirous for the strengthening of the cooperative organizations that are now in existence.

TARIFF

First, we recommend that an energetic and concerted effort be made by the cooperatives and other farm organizations of the country looking to the creation of adequate and effective tariffs on such agricultural commodities as it is believed by the respective commodity marketing organizations that their commodities may be benefited by the tariffs.

We believe that the most practical way of bringing these matters to the proper consideration of the Congress will be, that the various cooperatives shall either individually or jointly present briefs concerning the various schedules in which they are interested, and that jointly we should create in the minds of the farmers and the public generally the justice of our contention that there shall be no discrimination between agricultural and manufactured products so far as the benefits from tariff protection is concerned.

RECLAMATION AND WATERWAYS

We recommend that organized agriculture should make a determined effort in opposition to the creation of new or to enlarge existing reclamation and irrigation projects until the existing production from the farms of the United States is on a profitable basis. It appears to us that it is not only inconsistent but contrary to public welfare that we call the Congress together to deal with the subject of farm relief on the one hand, and on the other aggravate the problem by bringing new and otherwise unproductive lands into production.

It would seem that it would be more wise to develop the inland waterways to decrease the cost of transportation of the commodities of the Middle West; possibly the reduction of freight rates may be secured in some way that would be more beneficial than the development of arid lands.

REVISION OF RURAL CREDITS SYSTEM

It is our judgment that the reorganization of the rural-credit machinery of the country would do more toward conserving and promoting agricultural cooperation than any other legislation under consideration. The definite recommendations for the reorganization of rural credits are as follows:

First, that the intermediate credit banks be separated completely from the Federal land banks, and that it be made a separate and independent board of the Government. We further recommend that the service and facilities of the new intermediate credit bank be extended and enlarged, and that they offer or include the following credit services: (1) Production credit through the cooperatives; (2) marketing credit to the cooperatives; (3) credit to cooperatives and bills of lading, trust receipts and warehouse receipts and such other credits that they may have to offer; (4) that a fund of $300,000,000 be set aside in the Treasury of the United States to be used by the intermediate credit bank for the purpose of financing physical facilities for agricultural cooperatives. We also suggest that adequate provision be made by the intermediate credit banks, either through increase in capital or the creation of a revolving fund, or by any

other adequate means that the bank be prepared and authorized to meet the marketing credit needs of any cooperative regardless of size. And that no limitations be put upon the size of the cooperatives through any limitations on the part of the rural-credit machinery of the country to meet their marketing credit needs.

It is also proposed that the intermediate-credit law be amended so that loans may be made maturing 60 days instead as the law now provides, not less than six months.

We recommend that this act be set up as a permanent relief law for the cooperatives rather than have a temporary financial program tied up in a temporary farm-relief board.

SURPLUS CONTROL

We are opposed to both the equalization fee and the stabilization corporations. We think that no plan of surplus control could be permanently effective or even avoid disastrous consequences unless provision was made in the legislation to influence production.

Our organizations do not favor the equalization fee. The recent presidential campaign, in which a clean-cut referendum was developed on the question, only strengthens our opinion that the equalization fee is out of the picture.

We think that surplus must be controlled at the source of production and that unless this was effectively provided for, there is almost certain to result an average price level over a period of years injurious rather than beneficial to the farmers, a thing which, of course, all friends of agriculture desire to avoid. We therefore recommend that under any plan of surplus control due consideration must be given to the means for controlling production. We think that, should stabilization corporations be created, it must be by the demand of the leading cooperative commodity marketing organizations and that a separate corporation for each important commodity be provided and that they should be subsidiary organizations of the commodity organizations dealing in that commodity and under their control and management.

It is our opinion that, should stabilization corporations be set up independent of the cooperatives, that such a course would be detrimental to cooperative organizations and therefore contrary to the avowed national policy of the country as expressed by the leaders of the administration and both Houses of Congress.

It should be the duties of this board to research an education distributed to the farmers to build a stabilization plan which would govern both production and marketing that would be beneficial to the American farmer.

That completes my statement.

Mr. KINCHELOE. I understood you to say you were not in favor of the appropriation of any money out of the Federal Treasury for the purpose of creating any more cooperative-marketing associations.

Mr. COTTINGTON. Yes, sir.

Mr. KINCHELOE. What would be your plan, to educate and repersuade these farmers who have been in the organization to come back? How would you get the information to them that would induce them to come back?

Mr. COTTINGTON. I think I ought to have said it might be desirable for a small fund to be appropriated for the purpose of strengthening or helping build up the already-existing cooperatives.

Mr. KINCHELOE. If you are going to control the agricultural products in this country you will have to have more cooperatives than you now have, will you not?

Mr. COTTINGTON. Our idea was not to build up any more. We think we have enough organizations now.

Mr. KINCHELOE. You are referring now to your own commodities?

Mr. COTTINGTON. No; I am referring to all cooperative organizations.

Mr. KINCHELOE. Let us take tobacco, for instance. There is not one in the whole United States that I know of. We are attempting to get the farmers back in them, but we have not been able to get them yet.

Mr. COTTINGTON. You may have me on tobacco; I do not use it and I do not know anything about it.

Mr. KINCHELOE. I use it, and I do know something about it, because a lot of it is grown in my own State.

You do not think it would be money well spent if there was appropriated a reasonable amount for the purpose of education, and to rebuild these cooperatives where they are not plentiful? I do not suppose you would want to create any new ones if they were plentiful already.

Mr. COTTINGTON. I suppose it would be all right to build them up around what they already have. I thought the tobacco growers already had one organization.

Mr. KINCHELOE. No. We are trying to work that out.

You do not think it would be a bad idea to appropriate some money for educational purposes along that line, do you?

Mr. COTTINGTON. Possibly that would be all right if they do not have any organization at that time. If they have any organization at that time, I think it should not be done.

Mr. KINCHELOE. You know tobacco is grown in Tennessee, in Kentucky, in Virginia, in Wisconsin, in Connecticut, and in the Carolinas. Suppose they had one in Kentucky. You do not think that would suffice for all of them, do you?

Mr. COTTINGTON. I think one big tobacco cooperative could handle practically the whole thing if they got in a big federation. They might have to have different branches.

Mr. KINCHELOE. Suppose there was one big organiaztion in Kentucky. How are you going to get to the big tobacco farmers in the other States and get them into the cooperative marketing association unless you have an educational campaign, and how could you put that on without having some money?

Mr. COTTINGTON. I do not know; if you want to build a new organization, I do not know that you can do it without some money.

Mr. JONES. Do your concerns use the Federal intermediate credit banks?

Mr. COTTINGTON. We do not, because we can not get under them as they are handled at this time.

Mr. JONES. Have you tried?

Mr. COTTINGTON. Yes, sir.

Mr. JONES. What is the matter?

Mr. COTTINGTON. The principal difficulty is in the handling of the grain. The way we handle the grain it is a continuous turnover. We do not handle it in a way so that we can deal with the intermediate credit banks with long-time loans.

Mr. JONES. How do you finance yourselves?

Mr. COTTINGTON. We are financing ourselves through ourselves and through the local banks.

Mr. JONES. What rate of interest do you pay?

Mr. COTTINGTON. We pay all the way from 6 to 8 per cent.

Mr. JONES. The intermediate credit banks are supposed to lend money at a less rate than that, are they not?

Mr. COTTINGTON. I think so.

Mr. JONES. Then it is not the fault of your organization; it is the fault of the system that you are not able to use the intermediate credit banks?

Mr. COTTINGTON. It is the fault of the system, yes.

Mr. JONES. You think that system ought to be changed so you can use those banks?

Mr. COTTINGTON. I do. I think it should be broadened so we would have a chance to use their facilities.

Mr. JONES. And that was the basis for the recommendation which you made?

Mr. COTTINGTON. Yes. Our collateral consists of bills of lading and warehouse receipts, and other facilities that we have in the regular grain marketing business, and they do not recognize us because we want our money as a general turnover proposition, for 30, 60, or 90 days, and they say we can not take anything less than six months. They have to have something as their security that is permanent, so we can put it in the warehouse and leave it there.

Mr. JONES. If that system were changed so you could utilize that credit agency it would save you a good deal of money in the interest rate, would it not?

Mr. COTTINGTON. Yes; I think it would; in fact, I know it would.

Mr. JONES. Do you believe in these stabilization corporations?

Mr. COTTINGTON. Yes and no. I think I have said I did not believe in them because the stabilization corporation is demanded by the organization itself to help stabilize prices, which is probably all right, but I do not believe in stabilization corporations set up outside of the cooperatives.

Mr. JONES. The stabilization corporation might be like a lot of these other Government boards that come to be controlled by the wrong crowd.

Mr. COTTINGTON. Yes.

Mr. KETCHAM. Referring to the line of questions propounded by Mr. Jones concerning credit banks, I understood you to say to him that you could not secure credits from the intermediate credit banks because of the fact that you wanted to make a more rapid turnover than would be allowed by them.

Mr. COTTINGTON. Yes.

Mr. KETCHAM. You wanted to do the turnover business yourselves?

Mr. COTTINGTON. Yes. The idea is that in the grain business as we handle it it is a continuous turnover, and we only hold it for three or four days. We could put up our bills of lading, but they want us

to hold them for six months, and we can not do it because we can not keep the cars that long.

Mr. KETCHAM. You spoke about warehouse receipts or certificates. Are they Federal or State warehouse certificates?

Mr. COTTINGTON. They could be used either way. If we had our capital as we should have it, we could use it in State and terminal warehousing.

Mr. KETCHAM. Have you ever given any consideration as to the way in which the credit system might be extended to provide for an increasing use of the Federal warehousing proposition?

Mr. COTTINGTON. A little bit; yes. I think we have a warehousing act that is used some, but not to any great extent.

Mr. KETCHAM. May I ask you to state again, if you will, the specific amendment that you propose in reference to the intermediate-credit banks in order to provide credit for you under the terms by which you could use it?

Mr. COTTINGTON. I said: "We further recommend that the services and facilities of the new intermediate-credit bank be extended and enlarged, and that they offer or include the following credit services: (1) The production credit through the cooperatives; (2) marketing credit to the cooperatives; (3) credit to cooperatives and bills of lading, trust receipts and warehouse receipts and such other credits that they may have to offer." Bills of lading and trust receipts and warehouse receipts would cover us. They would come under the class we carry. Perhaps we might create an acceptance board, or something of that kind where these bills of lading would continue to flow through, and we could get credit in that way.

Mr. KETCHAM. They can not be deposited or made use of in securing credit from any Federal agency at the present time.

Mr. COTTINGTON. Not at the present time; no, sir.

Mr. KETCHAM. Is that by reason of anything in the law itself, or by reason of regulations which have been prepared and adopted by the board having charge of the management of the intermediate-credit bank?

Mr. COTTINGTON. I do not know.

Mr. KETCHAM. What is your idea in urging that the control of the intermediate credit banks be separated from the Farm Loan Board?

Mr. COTTINGTON. My idea is that the Farm Loan Board is really a farm credit proposition. Our proposition is to build a turnover or banking system, with a provision for loans of 30, 60, or 90 days, and they refer to two entirely different angles. One is a long-time term and the other is a short-time term, and by separating them we could get better service from the intermediate credit banks instead of going back to the Federal land bank.

Mr. KETCHAM. I understand that very well. In the present set-up of the boards that control these district banks is there any provision made for some one especially well adapted to the handling of this particular service to manage it?

Mr. COTTINGTON. I suppose there is, although I do not know the set-up.

Mr. KETCHAM. It does not function as it ought to?

Mr. COTTINGTON. I think they would function better if they were set up differently.

Mr. KETCHAM. I think that is a very splendid recommendation, and I hope it will receive a good deal of careful consideration.

Mr. HALL. Has your organization filed with the Ways and Means Committee its recommendations for proposed changes in tariffs on agricultural products?

Mr. COTTINGTON. I think we filed that with the Ways and Means Committee. We have filed a general outline of them.

Mr. ANDRESEN. Do you think, under the plan you have proposed, that the farmer would receive a higher price for his grain; that is, the world price plus the tariff?

Mr. COTTINGTON. Yes, I think so, in this way. If we could be properly financed in our markets we could keep these violent fluctuations from the market, while the general average would be higher.

Mr. ANDRESEN. But the present sale price you have at this time is the world price, is it not?

Mr. COTTINGTON. Yes.

Mr. ANDRESEN. How would you raise the world price on wheat 42 cents a bushel, say?

Mr. COTTINGTON. When you talk about wheat, I am not so well versed in wheat. I am a corn man.

Mr. ANDRESEN. Then, how would you raise the price on corn by 10, 15, or 25 cents a bushel on the world price?

Mr. COTTINGTON. I think when the corn is marketed in the fall of the year, for the first three or four months' time the big supply is handled, and it goes at a smaller or lower price—say, 50 or 60 cents—while during the late spring or early summer it goes to $1.25. A good part of the amount goes at the low price, more than what the farmer gets at the higher price.

Mr. ANDRESEN. Would you simply tell them to get the higher price?

Mr. COTTINGTON. If we were in a position so that we had the finances to enable us to store that corn and carry it to a higher level, then by our set-up, by prorating back our dividends, we could prorate back to the farmer or to the farmers' elevator the benefits of that higher price.

Mr. ANDRESEN. Do you find that, generally speaking, you have a higher price three or four months after the main part of the crop has been harvested?

Mr. COTTINGTON. There is no question about that; that happens all the time.

Mr. ANDRESEN. Would it help your credit situation if your paper, your notes, were made payable on or before six months?

Mr. COTTINGTON. They will not take our paper that way.

Mr. ANDRESEN. But that would help your situation?

Mr. COTTINGTON. Yes; it would. Private banks take our notes for 30 days. That covers our continuous turnover.

Mr. ANDRESEN. In order to bring about this higher price, do you not believe you would have to handle the major portion of the crop?

Mr. COTTINGTON. A good percentage of the whole crop.

Mr. ANDRESEN. How big a proportion?

Mr. COTTINGTON. I think if we could get 25 or 30 per cent we could have an influence on the general average price.

Mr. ANDRESEN. Do you now have a sufficient number of cooperatives to handle 25 or 30 per cent?

Mr. COTTINGTON. We have locals that handle that in the corn situation.

Mr. ANDRESEN. The Corn Belt covers quite a bit of territory.

Mr. COTTINGTON. Yes; and we cover the 12 principal States in the Corn Belt.

Mr. ANDRESEN. There would be no objection to those cooperatives forming a subsidiary corporation for stabilization purposes?

Mr. COTTINGTON. Not if they were formed within our own organizations.

Mr. ANDRESEN. Is your company willing to assume the responsibility of repaying the money to the Government revolving fund?

Mr. COTTINGTON. Not through the stabilization corporation to make a higher price.

Mr. ANDRESEN. Assuming that this money was loaned directly to your corporation, would you be willing to be responsible for repaying that money?

Mr. COTTINGTON. It depends on who sets the price.

Mr. ANDRESEN. There would be no price fixing.

Mr. COTTINGTON. So far as price fixing is concerned, we should feel that we should handle the stuff in our own way.

Mr. ANDRESEN. Do you go into the market to buy future options?

Mr. COTTINGTON. No, sir.

Mr. ANDRESEN. Do you do any hedging?

Mr. COTTINGTON. We do some hedging; yes, sir.

Mr. ANDRESEN. You do not buy for future delivery?

Mr. COTTINGTON. No; we do not buy for future delivery.

Mr. ANDRESEN. Do you sell for future delivery?

Mr. COTTINGTON. We sell for future delivery only as we have the products. Our system is this: If a farmers' elevator comes in and gets a car of grain, they may sell it for future delivery, but they do not sell it unless they have the product.

Mr. ANDRESEN. How much do you pay for storage and insurance?

Mr. COTTINGTON. We have no storage because we have no facilities to use for that purpose at this time.

Mr. ANDRESEN. Would it be desirable to have some storage facilities?

Mr. COTTINGTON. I think it would be.

Mr. ANDRESEN. And some processing plants?

Mr. COTTINGTON. That would be the most useful thing to us of anything we could have.

Mr. ADKINS. Two questions have been raised here by practically every witness. One is in reference to the advisability of providing in this bill a sort of educational fund. A few sessions ago we created a bureau in the Department of Agriculture and made an adequate appropriation for it that was to do that very thing, to furnish information and data and all that sort of stuff, and to send the farmers copies of it.

Is it your opinion now that if we create another agency to instruct the farmers they would be any wiser in reference to matters of cooperation by reason of that?

Mr. COTTINGTON. I think that bureau has circulated considerable information. They have gotten out a good deal of good information.

Mr. ADKINS. It would hardly be necessary to create another agency, would it?

Mr. COTTINGTON. I do not think so.

Mr. ADKINS. How is the Rural Grain Co. financed? Is the stock subscribed by the cooperatives or by the individual farmers?

Mr. COTTINGTON. By the cooperative elevators. I might explain that so far as the Rural Grain Co. is concerned, the stock in the Rural Grain Co. is held by the National Farmers' Elevator Grain Co. cooperatives, and the stock of the National Farmers' Elevator Co. cooperative is all held by the farmers' elevators.

Mr. ADKINS. In reference to the stabilization corporation such as is contemplated, apparently, to be provided for in this bill, which would apply to all other commodities, if you were to have a stabilization corporation for grain, do you think that ought to be something like your Rural Grain Co., something built from the cooperative elevators? Do you think that is the way to do it?

Mr. COTTINGTON. Yes, sir.

Mr. ADKINS. And if it was a commodity organization have it among its own cooperatives?

Mr. COTTINGTON. Yes; each one should be separate.

Mr. ADKINS. And in the matter of financing, they could not attempt to handle this surplus without a loan from the Government on favorable terms?

Mr. COTTINGTON. No.

Mr. ADKINS. It would not be necessary for the corporation to be handling any particular percentage of the grain, if it was thought necessary to take the surplus amount of wheat and the surplus amount of corn off the market, and if they had the necessary capital and facilities to do so, they could go ahead and do it, whether they ordinarily handled 25, 40, or 60 per cent of the grain?

Mr. COTTINGTON. I might say, so far as the surplus is concerned we have always figured it more or less of a bugaboo than a reality.

Mr. ADKINS. But if you should take a hundred million bushels of corn or two hundred million bushels of wheat off the market it would affect the market?

Mr. COTTINGTON. That is one of the reasons why we are opposing stabilization corporations, because we go into the market and take it off to-day and then get ready for the next crop. We think it is better to get rid of it instead of carrying it over for a term of years.

Mr. ADKINS. There would be no trouble about getting credit at the intermediate credit bank if you were doing a storage business and had warehouse receipts you could put up. We have had experience along that line for a number of years also.

Mr. CLARKE. In reference to warehouse receipts and the intermediate credit banks, your criticism is that the intermediate credit banks lose their effectiveness because in your particular business the rapidity of the turnover makes them inoperative?

Mr. COTTINGTON. Yes; that is the excuse they give us. When we try to use our bills of lading the bank says we ought not to hold them for only four or five days. They want to make the term six months.

Mr. CLARKE. One of your particular recommendations would be, so far as your commodity is concerned, that is, corn——

Mr. COTTINGTON (interposing.) And coarse grain.

Mr. CLARKE. That if the intermediate credit bank would function on your warehouse receipts that is all that would be necessary for you?

Mr. COTTINGTON. Yes.

Mr. CLARKE. Let me show you what is going on in some other enterprises. I feel if it is on the commodity basis it ought to be made effective at these intermediate credit banks for you, as you reflect your prices back in a fair way to the producer.

Eugene Meyer in 1922 said this:

> We have found the form of warehouse receipt required by your bureau especially valuable in connection with our loans. In connection with our cotton loans, for instance, the warehouse receipt issued by federally licensed warehouses certifies on its face not only the number of bales but the weight, grade, and staple of the cotton. Such certification adds greatly to the value of the receipt as collateral.

Now, then, the prune growers in Washington State said this in reference to its application in stabilizing of commodities that are produced on farms:

> The value of the warehouse act to prune growers is seen from the following expression of the manager of the Washington Growers Packing Corporation: "For two years now we have enjoyed the benefits accruing from the credit established with the Federal intermediate credit bank through the medium of the Federal warehouse receipts issued on our prunes by the Clark County Warehouse Co., which is licensed under the Federal warehouse act and under the supervision of your department."

One of the specific recommendations you want to make is that the intermediate credit banks should have a greater latitude in the application of the granting of credits upon receipts in connection with your particular commodity—corn?

Mr. COTTINGTON. Yes, sir.

Mr. HOPE. Mr. Cottington, your organization now does not do pooling at all—that is, you do not hold any more than the demand from day to day in the regular course of business?

Mr. COTTINGTON. Yes, sir.

Mr. HOPE. Just like a privately owned grain company would do. Is that because you do not believe that the pooling of grain and holding it for a better price is an effective way of making returns to the grower or because you have not been able to finance that sort of a proposition?

Mr. COTTINGTON. I think we were organized with the idea that it was more effective than to pool it. It is a voluntary cooperative act, and we market the grain on the daily markets.

Mr. HOPE. Then you do not believe that it would stabilize the grain market to have a corporation organized for the purpose of buying and selling with the purpose of stabilizing the market?

Mr. COTTINGTON. It possibly might do it, but it would be pretty hard on the pool because we would sell ours when they were holding theirs back, and they would have a surplus on their hands. What are they going to do with it?

Mr. HOPE. Your idea is that if you have a surplus and you do not get rid of it now, then you will have to get rid of it next year, and you will not be any better off than you were before?

Mr. COTTINGTON. You will have to get rid of it in some way.

Mr. HOPE. What is the nature of your organization? As I understand it, it is composed of cooperative elevators scattered all over the country; is that right?

Mr. COTTINGTON. Yes, sir.

Mr. HOPE. Are those elevators organized into a general association which patronizes your company, or selling agency?

Mr. COTTINGTON. Not necessarily; they are voluntary organizations.

Mr. HOPE. They may dispose of their grain through any agency that offers itself?

Mr. COTTINGTON. Yes, sir.

Mr. HOPE. You do not have a contract selling organization that takes in all of your local elevators?

Mr. COTTINGTON. Not all of them.

Mr. HOPE. And that is the purpose of the organization of which you are president, to furnish that service to the local elevators?

Mr. COTTINGTON. Yes, sir.

Mr. HOPE. If a stabilization corporation was set up, such as has been discussed here, or is proposed in the new McNary bill which was introduced in the last Congress, could your individual elevators participate in such an organization?

Mr. COTTINGTON. I do not know that I understand your question.

Mr. HOPE. What I had in mind was this: A stabilization corporation has been proposed for dealing in the products handled by cooperatives, and the stock would be held by cooperative organizations. Could your local farmers' elevators, under their present plan of organization, participate in a corporation of that kind?

Mr. COTTINGTON. I think they could. They could qualify as cooperatives, if that is all that is necessary.

Mr. HOPE. If there anytihng in their organization that would prevent them from being a link in a chain of that kind?

Mr. COTTINGTON. There is nothing, if they wanted to do so. But you would have to do a great deal of educating.

Mr. HOPE. You do not think that at the present time they would be interested in doing anything of that kind?

Mr. COTTINGTON. You mean in a pooling way?

Mr. HOPE. Yes.

Mr. COTTINGTON. I doubt it, because our elevators are independent; they are all local, to themselves. In Iowa, especially, there is no pool whatever and never has been.

Mr. HOPE. They are organized on the theory that there is not anything to be gained by pooling grain; is that correct?

Mr. COTTINGTON. That is the idea.

Mr. HOPE. They would have to be convinced that their plan had been wrong heretofore before they would be interested in going into a proposition of this kind?

Mr. COTTINGTON. I think they would have to be.

Mr. BRIGHAM. I understood you to say you advocated the control of surpluses at their source.

Mr. COTTINGTON. I think that is what this board should do. It should do a lot of education and research work.

Mr. BRIGHAM. Just what could the board do, in your opinion, to bring that about?

Mr. COTTINGTON. I think that in the working of the tariff, if it could be made effective, they could disseminate information throughout the country to the effect, for instance, that if we have a certain product that the tariff protects and we are getting a good price, and we are short of it in this country, they could gradually change the acreage from one product to another.

Mr. BRIGHAM. Then, as I understand it, you think some effort ought to be made to adjust the acreage in different crops to the probable demand for those crops?

Mr. COTTINGTON. Yes; diversified farming, in other words.

Mr. BRIGHAM. Perhaps you read in the press this morning that the oil industry is attempting to limit production.

Mr. COTTINGTON. I did not notice that.

Mr. BRIGHAM. There is some movement on foot to attempt to correct the conditions in the oil industry by limiting production to the 1928 output. You would think something of that kind is necessary in agriculture, would you?

Mr. COTTINGTON. It would help. We can not always do that in agriculture, because you can not tell what the rain and the sun will do. But an attempt along that line should be made.

Mr. BRIGHAM. That is, we have excess acreage enough in this country that is not being used so that we might have a permanent surplus and a growing surplus in many of the crops, if it were made profitable to produce it?

Mr. COTTINGTON. To illustrate, let us take Iowa, for instance. We raise considerable sugar beets. If sugar was properly protected so it would be an inducement for them to raise those beets, they could shift from corn to beets and produce some of the stuff we are importing rather than what we have to export to-day.

Mr. BRIGHAM. Do you have in mind any other shift that could be made of that kind?

Mr. COTTINGTON. I think they are shifting considerably to dairying in the Western States, where we have considerable imports of dairy products, and using more pasture land instead of putting it into corn and wheat and wool and sheep products and things of that kind. I think by the education of the farmer, educating him along that line, there could be shifts of that kind made where it would be profitable, rather than continuing with corn and oats year after year.

Mr. BRIGHAM. You are familiar with the outlook reports that are issued by the Department of Agriculture, are you not?

Mr. COTTINGTON. Not entirely. I think I get most of them.

Mr. BRIGHAM. They are somewhat along the lines you would suggest?

Mr. COTTINGTON. Yes, sir.

Mr. HOUSTON. You referred to sugar beets. It is a fact that the tariff is effective with respect to sugar, is it not, but it is not adequate? Is that the idea?

Mr. COTTINGTON. It is not adequate; yes, sir.

The CHAIRMAN. Do you claim to have any control over prices through your organization?

Mr. COTTINGTON. Did you ask if we have control over them?

The CHAIRMAN. Yes.

Mr. COTTINGTON. No, sir; not at this time, we do not.

The CHAIRMAN. Under your plan, would you have control over prices, could you stabilize them?

Mr. COTTINGTON. We could help to increase prices. I do not know that we would have control.

The CHAIRMAN. How would you increase prices?

Mr. COTTINGTON. By raising the average level. We could raise the general level.

The CHAIRMAN. Mr. Adkins gave some figures indicating prices, covering a period of 85 years, which would indicate that there is nothing to that contention. Have you made a study of that problem.

Mr. COTTINGTON. I think there is no corporation that has gone into the market with any idea of doing that.

The CHAIRMAN. Do you believe that you are getting full benefit of the protective tariff?

Mr. COTTINGTON. On a lot of things we do not.

The CHAIRMAN. How about corn? You are dealing with corn.

Mr. COTTINGTON. The tariff on corn could be made effective if there were a tariff high enough on certain of its by-products.

The CHAIRMAN. Has it been made effective?

Mr. COTTINGTON. No, sir.

The CHAIRMAN. We have a 15 cents duty.

Mr. COTTINGTON. But this is what I have in mind: Take blackstrap molasses, for instance——

The CHAIRMAN (interposing). I am talking about the tariff on corn: Are we getting the full benefit of that?

Mr. COTTINGTON. We are not getting much now. That is the reason we are asking you to make it high enough to be effective.

The CHAIRMAN. I will read you a quotation containing some figures in order that there may be no mistake about it. We have a production of corn that runs to about 3,000,000,000 bushels. The Chicago price last year, 1928, for January was $0.997; the Buenas Aires price was $0.93; the export tax was 2 cents; the tariff was 15 cents per bushel, and the ocean freight $0.083, the total being $1.1834. We were short 18 cents per bushel. Now, if the tariff had been made effective, under the operation of the equalization fee, there would have been an additional return of $539,604,000 to the corn producers.

Mr. COTTINGTON. Do you think that is a fair basis to take for the price of corn in Chicago? Is it the price of corn in New York on which you are basing those figures?

The CHAIRMAN. If you took them at the port of entry, you would be the loser.

Mr. COTTINGTON. I know we would be the loser.

The CHAIRMAN. That includes the freight from Chicago to the port of entry. Then you have to add a few million dollars more. In other words, there could have been saved the farmers $539,604,000 last year through the operation of the equalization fee. Your suggestion is to secure this sort of legislation. If the tariff had been made effective it would have given the producers the advantage of this $539,000,000. Of course, we are all interested in the building up of the organizations, and we have helped to do that, but we think $539,000,000 is a big price to pay for it. Do you not think that is a big expense to put the farmers to, or do you think they should be called upon to sacrifice $539,000,000.

Mr. COTTINGHAM. There is no question about that. We are asking you to do this——

The CHAIRMAN (interposing). We were told about that last year before the election.

Mr. COTTINGTON. Did not Mr. Hoover come out squarely and say he was against that?

The CHAIRMAN. But was it an issue——

Mr. ASWELL (interposing). I want to make the point of order that we can not hear the chairman's questions.

The CHAIRMAN. I am trying to find out why the corn producers should sacrifice $539,000,000.

Mr. COTTINGTON. What is that?

The CHAIRMAN. That is the benefit they would have received in the price of corn. That would have given them the very benefit that they are entitled to get. It would be giving them the very thing that the Tariff Commission determined that they were entitled to receive. I am trying to find out why they should sacrifice $539,000,000.

Mr. COTTINGTON. You are just talking about the equalization fee now.

The CHAIRMAN. I am trying to find out what you have in your mind. Are you for the farmer or for the association plan?

Mr. COTTINGTON. I should certainly be for the farmer, and if you will give me a minute to explain what I have in mind on this tariff matter, I will do it.

The CHAIRMAN. I have asked you those questions.

Mr. COTTINGTON. Then give me a chance to answer them.

The CHAIRMAN. In connection with this tariff proposition——

Mr. COTTINGTON (interposing). We are asking for an increase in tariff on corn, and we are asking for an increase in tariff on sugar and molasses, which will do away with the surplus.

The CHAIRMAN. Do you say that would be of benefit to the farmer?

Mr. COTTINGTON. Yes, sir; but not a tariff of 15 cents per bushel.

The CHAIRMAN. If it were made effective——

Mr. COTTINGTON (interposing). But with that tariff of 15 cents per bushel on corn, it can come from Argentina and be delivered on either coast, paying the transportation charges and the tariff, and be placed there more cheaply than we could get it from Iowa to either coast. If we had the tariff high enough it would do some good.

The CHAIRMAN. Do you question these figures that come from the Department of Agriculture?

Mr. COTTINGTON. I might question some of them.

Mr. CLARKE. I maintain that the chairman is right on the figures.

The CHAIRMAN. Do you take issue with the figures of the Agricultural Department, and if you do that I can not discuss it with you at all. I can give you the figures for corn year by year. I can give you the losses on corn year by year, because the tariff has been ineffective. The loss on corn in 1924 was $387,000,000; in the next year, $522,000,000; in the next year, $480,000,000; in the next year, $242,000,000; and last year, $539,000,000. I would be surprised to see any friend of the farmer come here and tell us that they should not have had the benefit of the tariff. I will be candid about it.

I will put it up to you whether that is not a big loss for them to assume. Would you put the organizations ahead of them? My point is that we should give the farmer the benefit of the tariff. The plan suggested would not do that.

Mr. COTTINGTON. I have tried to answer you, but, perhaps, I have not made myself clear.

The CHAIRMAN. I would like to have you make yourself clear.

Mr. COTTINGTON. In fact, I have not had a chance to say much of anything.

The CHAIRMAN. Then, you may put it in writing, if you so desire.

STATEMENT OF C. O. MOSER, PRESIDENT AND GENERAL MANAGER OF THE AMERICAN COTTON GROWERS' EXCHANGE

Mr. MOSER. Mr. Chairman and gentlemen of the committee, I presume it is unnecessary for me to tell the committee——

Mr. ASWELL (interposing). Suppose you state first where your office headquarters are.

Mr. MOSER. At Dallas, Tex. I represent the American Cotton Growers' Exchange, which is a national organization of the cotton cooperatives, consisting of such organizations from California to North Carolina. We have in excess of 200,000 members, and do an annual business of approximately $100,000,000, or a little more. It is a nonprofit, noncapital corporation, organized under the laws of the various States. You gentlemen are, I think, fairly familiar with the attitude which the cotton cooperatives have had on this matter of farm relief legislation. I want to say in the beginning, so that we can be sure that we understand one another, that we are appearing before this committee in the hope that we may be able to offer some constructive suggestions, and that we are in the attitude of being as helpful as we can to the committee by telling you what our experiences have been in marketing.

In that way we wish to do what we can to help cooperative marketing, and to assist in the solution of this great problem you have before you. As you probably know, we are now in the eighth and ninth year of our existence. In some States there have been eight years, and in some nine years, of operation, and we have experienced many different degrees of success. We had no precedent to go by in our early experience, and we had to work out through a system of trial and error an improvement in our methods. We have done that until we think we have learned a good deal about this matter of cooperative marketing. However, there is very likely much more for us to learn, and we are not boasting at all that we are perfect. Our business last year increased about 40 per cent, and we think that we are definitely on the upgrade now, in so far as influencing a larger percentage of the cotton business volume of the country as a whole is concerned.

Now, we are fully cognizant of the interest which the authorities under the administration and the leaders in Congress, in both Houses, have in the promotion of cooperative marketing. We believe that in the long-time solution of this problem the cooperatives should play a very important part, and that they should get the kind of encouragement and support which they believe they need. We think that some of the problems of the cotton growers—and that is what I am

speaking about—are beyond the control of both the individual farmers and of the organizations that the farmers may create. There are some problems that the individual farmers can control, or that they can control through organizations, but there are some of them that are beyond the control of both the individual farmer and of his organization. We want you to help us solve the problem so far as cotton growing is concerned, or so far as cotton production is concerned, through various means that appear to offer the proper approach. I think that you are doing a lot along the line, for instance, of economical production. We think that the Agricultural Department, and the various State organizations, are doing a fine job there, and we think that an important part of the job is in that field. However, we know that a complete solution of the problem does not lie in economical production alone.

Now, we also know that a part of this problem can be met through cooperative marketing, and wherever the cooperatives can help we want you to strengthen our hands. We want you to help us do the job better than we have been able to do it up to the present time. Wherever we can do the job through the organization we want to help to do it. That is the attitude in which we come before you.

I think you are familiar with our position in the matter of surplus control. We have not very materially changed our views on that, but we have come to the conclusion that the practical considerations in the premises are such that, so far as we are concerned, we do not advocate the equalization fee. We do believe, however, that any practical solution of the problem of farm relief, or surplus control, must have in mind the effective control of overproduction. It does not make any difference what it is. That was one of the principal reasons we had in favoring the equalization-fee principle. I think there are other merits in it, but that was one of the principal things that commended the equalization fee.

However, in the absence of an equalization fee we think that some other effective means must be provided for preventing overproduction, because that is the problem that we are grappling with. We do know any way by which that can be done. I am sorry to have to acknowledge that, but we do not know of any means. We think that it will have to be controlled at the source. We believe that when a surplus has once been created, there is no humanly possible way of avoiding its consequences. Efforts may be made to get at it through subsidy or through a distribution of the cost over every unit of production, or from public funds, but, as I have said, after a surplus has once been created, it is a problem that you have got to pay for. It is a penalty that the producers must pay for their overproduction. I say that with the sincerest regret, because I wish there were some practical way of dealing with it without having to do it at the expense of the producers of the country.

We maintain in our organization an extensive research division, on which we spend about $50,000 a year. We employ the ablest research men that we can procure, and if there were any better than we have we would like to employ them, because in a business that is handling more than $100,000,000 a year it is important that we should know all the facts. We have long since quit trying to deceive ourselves, and we are trying to find out what the facts are in in-

dustry, and then to adapt our business to the facts as we find them. We think that some of these things can be remedied, and we want to assist in remedying them. If we can not remedy them at one place we want to find out where the remedy is. We believe that the problem of overproduction can not be remedied at any place except at the point of production. We will have to devise means of reaching that. I am not trying to tell you what the remedy is, because I do not know it, and I do not know of anybody else who knows it, but whatever the remedy is, we feel that it must be applied at the point of production.

Now, when you come to the question of stabilization corporations, that is one phase of the problem that I would like to discuss. I should like to discuss that later rather than at the beginning. We agree in substance with the statement that Mr. Cottington made, because there was a general agreement reached by about 60 cooperative leaders here a few days ago with regard to the tariff, with regard to reclamation and irrigation projects, and with regard to the revision of the rural-credits machinery of the country. We are fully in accord with the statement that Mr. Cottington made in that respect.

Now, in this matter of stabilization corporations, that is a hard question. We wish it were a simpler one. We wish there were some way by which we could set up a stabilization corporation so that we could take a commodity off the market temporarily, and hold it out of consumption. We wish that could be done so we could stabilize the price in a way that would be beneficial to the farmers; but our own analysis of the subject leads us to believe that when a surplus has once been created there is no conceivable way to avoid paying the price or the penalty for it.

Now, I am speaking, of course, about those commodities of which there are exportable surpluses, and upon which there is some way of distinguishing the domestic price and the world price. I think it is relatively simple where you are dealing in products which are on an import basis, or which are not produced in excess of the domestic demands, but in the case of commodities like cotton and some others, we do not believe that the tariff can be made effective unless some artificial machinery is provided, such as was spoken about a while ago, and which was under consideration in the past. That is a frank statement, and I am trying to be frank about it, because that is the only way in which we can get anywhere in dealing with a question as difficult and complicated as this.

If you want to question me about bills for the revision of the financing machinery, I will be glad to answer them. I presume that can be covered as well by questions and answers as by a direct statement. With this preliminary statement, I do not think I have anything more to say, unless somebody wants to question me. I do want to say this, however, before concluding: I think that if there are stabilization corporations to be created, and, in all probability, there will be, they should be created as subsidiaries of the cooperatives. I say that because we believe that any effort at creating stabilization corporation to be independent of the cooperatives would be very detrimental to the cooperatives. It might even destroy them altogether.

Mr. PURNELL. Do you think that the stocks of these corporations should be subscribed by the cooperatives, rather than by individual producers?

Mr. MOSER. Yes, sir; we do not believe that you can do anything in the way of meeting their marketing problem except through group action. Individually, they are completely helpless. They are only effective in the degree in which they can get together and really have something to do with the distribution of their commodities.

Mr. ASWELL. The last time you were here before the committee, you were very strongly in favor of the equalization fee. When did you change your views about that?

Mr. MOSER. I will answer that by saying that we think that question was disposed of at the last election. Regardless of the merits of the question, we think that it is out of the picture, and so we do not see any use in discussing that.

Mr. ASWELL. You stood up for it until the last election?

Mr. MOSER. Yes.

Mr. ASWELL. Do you hold cotton off the market?

Mr. MOSER. We are cotton merchants.

Mr. ASWELL. Do you hold it off the market in storage?

Mr. MOSER. Do you want me to say what merchandising is? We are engaged in merchandising, and like other merchandising lines, we sell something to somebody on the market when they want it. We put it on the market when there is a consumptive demand for it.

Mr. ASWELL. You hold it until there is a demand for it?

Mr. MOSER. It is like any other merchandising.

Mr. ASWELL. You hold it until they want it?

Mr MOSER. We carry it in stock and sell it when there is a demand for it.

Mr. ASWELL. Are you opposed to stabilization corporations holding it?

Mr. MOSER. That is a different thing altogether. They are two entirely different propositions. We are a merchandising organization.

Mr. ASWELL. I think it is the object of this committee to work out a bill by which agricultural production——

Mr. MOSER (interposing). They are two different things. They are altogether different things.

Mr. ASWELL. Are you in favor of stabilization corporations?

Mr. MOSER. We think that if there are stabilization corporations they should be under the control of the cooperatives.

Mr. ASWELL. Would you put the cooperatives under the control of a board that it is proposed to create?

Mr. MOSER. No, sir. I would as to the stabilization corporations.

Mr. ASWELL. Do you think there should be a Federal board created??

Mr. MOSER. Yes, sir; we think that a Federal farm board would be very helpful.

Mr. ASWELL. How much money do you think should be authorized for it?

Mr. MOSER. I think the amount of money which they have asked for heretofore will be sufficient.

Mr. ASWELL. $250,000,000?

Mr. MOSER. Something like that.

Mr. WILLIAMS. You did not, in your statement, express any views as to whether or not the plan contemplated here for the creation of a Federal farm board, vested with such powers as would be necessary and proper, and backed by a revolving fund sufficient to render all necessary assistance to the cooperative organizations, would be desirable. Are you in favor of that?

Mr. MOSER. Yes, sir; we think that a board can be very helpful, but if we had to choose between a board with a large revolving fund and intermediate credit banks, we would take the intermediate credit banks. If we could get both of them it would be that much better, but if we had to choose between them, we would take the intermediate credit banks.

Mr. WILLIAMS. There is nothing inconsistent between the two things.

Mr. MOSER. No, sir.

Mr. WILLIAMS. If I understand the purport of your statement, you think that the board should be vested with as broad powers as can be given it; that it should not initiate by itself the action to be taken by the cooperative organizations, but that it should act only when appealed to by the organizations. Is that you view?

Mr. MOSER. Yes, sir.

Mr. WILLIAMS. And you think that, in the operation of the stabilization corporations, they should be wholly under the control of the commodity organizations.

Mr. MOSER. Yes, sir.

Mr. WILLIAMS. And that the board, under its general powers, should not, without the consent or request of the cooperatives or producers of a given commodity, establish a stabilization corporation.

Mr. MOSER. That is true.

Mr. KINCHELOE. I take it from what you say that you agree that the complicated thing to solve in the matter of the agricultural proposition is the handling of products of which we get a surplus.

Mr. MOSER. Yes, sir.

Mr. KINCHELOE. And, of course, I understand inferentially that you mean that products of which we do not raise a surplus can be controlled more or less by the tariff.

Mr. MOSER. Yes, sir.

Mr. KINCHELOE. I agree with you that when a surplus is once created, somebody must suffer for it. There is no other solution for it.

Mr. MOSER. Yes, sir. The question is whether they will take it in one year or spread it over three or four years

Mr. KINCHELOE. But the loss will be the same.

Mr. MOSER. It may be even worse taken collectively over a period of years than if you took it all in one year.

Mr. KINCHELOE. You say that the only way to control the surplus is at the source.

Mr. MOSER. Yes, sir.

Mr. KINCHELOE. And your idea was, or the reason that you advocated the equalization fee at first was because it would penalize overproduction, and that would tend to control it.

Mr. MOSER. Yes, sir.

Mr. KINCHELOE. In view of the fact that there will be no equalization fee, I would like to have your opinion of what would be the

remedy now in attempting to control overproduction at the source—in the absence of the equalization fee.

Mr. MOSER. I tried to say awhile ago that I did not propose to offer the solution of that, but I do think that there are some things that would be helpful. I think that we are going to have to take into this picture the whole national agricultural balance. I do not believe that it is possible to raise for any length of time the price level of any of the great competitive commodities without raising the price level of the whole group, because you would soon get overproduction in one of the competitive products. There is also the acreage phase. We have too many acres of land in cultivation in the United States at the present time.

Mr. KINCHELOE. Do you think we should try by a method of education to keep down the acreage?

Mr. MOSER. I think education is always an important consideration in a matter of this kind, and that is where I think we will get the remedy, but it will not be at any time soon. I think that we ought first to make a national land utilization survey to determine the real adaptability of the land in the various sections of the country. I believe we will have to take out of cultivation land that is now in cultivation. We should take land out of cultivation rather than put new land into cultivation. We should take out of cultivation, as far as we can, some of the marginal lands of the country.

Mr. KINCHELOE. And at the same time adapt the crop to the land.

Mr. MOSER. Yes, sir; find the adaptability of the crop to the land. Some of those crops might be timber and some of those crops might be pasture. Some of those crops might be sugar and things of that kind. We are now importing large quantities of sugar. It might be well to take a large number of acres of land which are now being devoted to something else and use them for sugar. There is land which could be planted in sugar if we raised the tariff on sugar.

I think Mr. Cottington mentioned that a while ago. The same thing would apply if you should put some of the land back into grazing which is now marginal land, and if you put it into the production of sheep and cattle by raising the tariff on wool.

I am not trying to offer a remedy, but I think that in that line of study lies at least a part of the solution of the unnecessary acres of land which are now in cultivation.

Mr. KINCHELOE. If this Congress should pass a bill creating this farm board, with a revolving fund of $250,000,000 or more, do you think it would be wise to permit this board, if it can not function through cooperative organizations, to loan to any private enterprise for the purpose of doing that?

Mr. MOSER. I do not think so; no, sir. I will tell you why. You would like to know the reason for it, I suppose.

Mr. KINCHELOE. Yes.

Mr. MOSER. In every line of industry marketing is a group problem if successfully carried on. Anything which would tend to break down the strength of the farmer's marketing groups would be a step in the wrong direction toward solving the marketing problem of the farmers.

Mr. KINCHELOE. Your idea is that if the farmers are not interested enough to form these cooperative associations and cooperate with

the board, and be the recipients of that money for that purpose, the result would not be much?

Mr. MOSER. It would be probably negative in the end. You might get some benefit for one crop, but it would only aggravate your problem so that in the course of years it would get worse instead of better.

Mr. KINCHELOE. And at the same time you might favor some private business to the detriment of somebody else engaged in the same business, too?

Mr. MOSER. You might do that, too.

Mr. KINCHELOE. That is all, Mr. Chairman.

Mr. JONES. Mr. Moser, are your affiliated organizations now using the intermediate-credit system to any considerable extent?

Mr. MOSER. I presume we are probably the largest users of the intermediate-credit system so far as cooperatives are concerned.

Mr. JONES. Can you get the amount of credit that you need through that system at the present time?

Mr. MOSER. The way the system is now operated, Mr. Jones, is that it is only able to supply us with a relatively small proportion of our credit needs, and we are just starting to grow. For instance, in the State of Oklahoma we are now controlling and handling a third of the cotton crop, between 365,000 and 375,000 bales, and the Federal Land Bank Board has ruled that no bank can loan more than the amount of its capital stock to any one corporation. That gives us limit of $5,000,000 for the use of our Oklahoma organization, and that is just a drop in the bucket according to our needs.

Mr. JONES. What bank do you use to supply your credit needs?

Mr. MOSER. The Wichita Bank.

Mr. JONES. And it does not have sufficient capital stock to handle your requirements?

Mr. MOSER. We would rather not have any money than $5,000,000, because we expect to handle in Oklahoma next year not less than half a million bales. We are making all of our preparations to handle 750,000 bales two years from now, and, advancing $75 a bale, you can see how much that runs into.

Mr. JONES. Then if that system were changed so that sufficient funds might be furnished, and furnished on the proper terms, it might be a very material help in handling that situation?

Mr. MOSER. We think that there ought not to be any limitations put on the size of the cooperatives with respect to their being able to get money from the intermediate credit bank to finance their needs. In other words, if it is right and proper for them to borrow $5,000,000 on good collateral, why should it not be possible for them to borrow $25,000,000 on good collateral?

Mr. JONES. What percentage of the value of the cotton are you able to borrow under the intermediate-credit system at the present time?

Mr. MOSER. Of course, we are limited to 75 per cent, you know.

Mr. JONES. Yes. Where you do the necessary hedging, can you get the funds from other sources for a larger per cent?

Mr. MOSER. Yes, sir; we can get from 90 to 95 per cent.

Mr. JONES. But that requires you to pay additional rates of interest?

Mr. MOSER. Yes.

Mr. JONES. Do you have any trouble in handling your cooperative-organization affairs by virtue of the individual farmers having mortgages to the individual banks?

Mr. MOSER. We have to deal with that all the time. We have to keep pretty close watch on the deliveries to see that deliveries are mortgage free, and we have a provision in our organization for looking after that.

Mr. JONES. If this organization were large enough, however, it could furnish what you call productive credit?

Mr. MOSER. Yes, sir.

Mr. JONES. To finance your organization all the way through?

Mr. MOSER. Well, let me put that this way: There are conditions in different sections of the country at difficult times where either the local banks are unable or sometimes unwilling—frequently one or the other, sometimes both—to provide production credit to members of cooperatives on a fair basis. Generally speaking, we do not go into a place and offer production credit where there is a friendly bank in the community. It is only where we have unfriendly banks, or where banks are unable, on account of their limited resources, to provide production credit.

Mr. JONES. Is this 75 per cent limitation written in the body of the law or is that a regulation?

Mr. MOSER. That is in the law.

Mr. JONES. Is the maximum limit that the bank may loan written in the law or is that a board regulation?

Mr. MOSER. I think that is a regulation. I will tell you why I say that, because in the particular experience that I am telling you about, in Oklahoma, we had borrowed as much as $12,000,000 from the Wichita bank, and when the Washington board discovered it they made us cut it down to $5,000,000. We had to take it out. I will take that back. They asked us, when we reduced it, not to exceed $5,000,000 in the future. They did not ask us to reduce it, but they asked us not to exceed $5,000,000 in the future.

Mr. JONES. Is there any practical reason why a 90 or 95 per cent loan, with a proper hedge, should not be a perfectly safe loan?

Mr. MOSER. It is insured, you know. It is better than a 75 per cent loan would be unhedged, of course.

Mr. JONES. There would not be anything unbusinesslike in providing for that kind of loan under the circumstances?

Mr. MOSER. It would be good business, strictly in line with commercial practice.

Mr. JONES. Do you think that where a farm commodity is being imported there should be a tariff on that, if we had a tariff bill?

Mr. MOSER. We think that wherever the tariff can be made effective on any agricultural commodity it ought to be put on, and then it ought to be made effective if there is any way to do it. But we do not believe it is possible with a good many commodities.

Mr. JONES. Would you go further and say that a tariff should be put on competing farm commodities; that is, on substitutes that take the place of such commodities?

Mr. MOSER. Wherever it is believed that through that means it can be made effective on that commodity. In other words, what we want to do is to get the spirit of the thing. If the tariff on a substi-

tute will accomplish the purpose, the purpose is what we are trying to accomplish.

Mr. JONES. That is all.

Mr. KETCHAM. With reference to the meeting of the cooperatives last week, I understood you to say that about 60 different cooperative organizations were represented.

Mr. MOSER. No; I said that there were about 60 representatives of these various organizations.

Mr. KETCHAM. About how many cooperatives were represented in that meeting?

Mr. MOSER. They are listed in a statement that I am going to ask you to incorporate in your record. Mr. Jones has a copy of it. I did not count the organizations.

The CHAIRMAN. It may be filed.

Mr. MOSER. It is a list of all of the principal ones, among the nonperishable ones at least.

Mr. KETCHAM. Are there any dairy cooperatives in it?

Mr. MOSER. Yes, sir.

Mr. KETCHAM. You agreed substantially upon the program as given by Mr. Cottington who was on the stand before you?

Mr. MOSER. Yes, sir; that is right.

Mr. KETCHAM. Notwithstanding the fact that in that group I suppose there were men with very divergent ideas as to the particular form of farm relief?

Mr. MOSER. Yes, sir. The statement says that.

Mr. KETCHAM. That is to say, you are perfectly willing, in the light of the situation, to forget theory for awhile and face conditions as they are and do the best you can?

Mr. MOSER. That is what these men are trying to do. They are very earnest in what they are trying to do.

Mr. KETCHAM. May I say that that spirit is very commendable.

Mr. MOSER. Thank you, sir.

Mr. KETCHAM. I call your attention to statistics that have been submitted by Mr. Gist, the State statistician of Alabama. He states, in substance, that over a period of 15 years, considering the total production of cotton, there is no such thing as a surplus; in fact, that for that period we have been about 8,000,000 bales short. Has your attention been called to that statement?

Mr. MOSER. I have not seen the statement; no, sir.

Mr. KETCHAM. Further than that, he states that in each 5-year period of that 15 years there is no such thing as a surplus, but, on the contrary, that we have consumed more than we have produced.

Mr. MOSER. I would answer that in this way: I do not want to appear to be in conflict with one of my distinguished southern gentlemen, who I am sure is interested, as we are, in trying to remedy this situation; but he does not take into account, perhaps, what might have been the effect on production and consumption, both, if the normal processes had operated in the meantime. You can not tell what that would have been.

Mr. KETCHAM. Of course, in each year there were situations and circumstances that do not appear in the general statistical data.

Mr. MOSER. Certainly; because if conditions had been different the result might have been different.

Mr. KETCHAM. I think probably that is a very wise statement; if conditions had been different the result might have been different. That is a pretty safe assertion.

Mr. MOSER. I am trying to be conservative and accurate, both.

Mr. KETCHAM. Yes; I realize that. The only point I was trying to get at was whether or not that statement of Mr. Gist had any application to the legislation that we are now proposing, and my question was directed to you only to find out whether you agreed with the general statement of Mr. Gist.

Mr. MOSER. Of course, the fact that we only have a relatively small supply—as you would call it, rather than a surplus—that we only have a relatively small supply of cotton on hand after growing it for about 150 years, shows that there has not been any very great difference between production and consumption, on the average.

Mr. KETCHAM. But, of course, we are only considering a 5-year period. A 15-year period, of course, is idle for us to consider, just the same as it would be to consider 100 or 150 years. But for a 5-year period, if it can be demonstrated that there is no surplus, does not the remedy seem to suggest itself?

Mr. MOSER. I tried to express my view just a minute ago, when I said that if there had been a different relation between price, for instance, and consumption, there might have been an altogether different story. Our statisticians and economists are definitely of the opinion, as much as we regret to say it, that the quickest and best way for a surplus to be disposed of, so far as the farmers are concerned, is to get rid of it just as quickly as you can and not carry it over any longer than you have to.

Mr. KETCHAM. As I understand it, you say that any effective surplus control must be taken into consideration before the surplus is created?

Mr. MOSER. Yes, sir.

Mr. KETCHAM. My understanding of Mr. Gray's testimony was the very opposite of that.

Mr. MOSER. I am only speaking for my group.

Mr. KETCHAM. I understand that perfectly; but I wondered if you had discussed this matter at all.

Mr. MOSER. I have a very high respect for Mr. Gray. I did not know what he said; therefore I was not able to testify.

Mr. KETCHAM. Do you think that any scheme of surplus control that simply says to the farmers, "Go ahead and produce all you can produce, and we will find some way to dispose of it without penalizing you," is idle and futile?

Mr. MOSER. I think it is an absolute delusion.

Mr. KETCHAM. That is all.

Mr. JONES. Mr. Chairman, I would like to have the privilege, at the end of Mr. Moser's testimony, of inserting these recommendations to which he has referred, together with the list of representatives.

Mr. PURNELL. He has the right to file it.

Mr. JONES. He said he wanted to file it. I would like that written recommendation to go into the record.

Mr. PURNELL. Under the rule, Mr. Moser has the right to file it.

Mr. KETCHAM. The only question is, is it not identical with the recommendation of Mr. Cottington?

Mr. MOSER. I would not say identical. He made his statement from the statement. This is a more complete statement, but he made his statement from that one.

(The statement referred to is as follows:)

COOPERATIVE LEADERS ISSUE STATEMENT REGARDING FARM RELIEF AND COOPERATIVE CREDIT

Leaders of various large-scale cooperative marketing associations who have been in session at the temple of agriculture at Washington, D. C., for a number of days, have issued the following recommendations to the cooperatives of the United States with respect to legislation dealing with farm relief in its relation to the cooperative movement:

1. We recommend that an energetic and concerned effort be made by the cooperatives and general farm organizations of the United States to secure adequate and effective import duties on such agricultural commodities as the respective commodity-marketing organizations believe may be benefited by protective duties.

We believe that the most practicable way of bringing tariff matters to proper consideration of the Congress will be for the various cooperatives, either individually or jointly, to present briefs concerning the various schedules in which they are interested. We should then jointly advise our members and the public generally of the justice of our contentions so that there may be no discrimination between agricultural and manufactured products with respect to the benefits of tariff protection.

2. We unanimously recommend that organized agriculture should make a determined effort in opposition to the creation of new, or to enlarge existing, reclamation and irrigation projects, until the production of land already in cultivation is on a profitable basis. It seems to us not only inconsistent but contrary to public welfare for the Congress on the one hand to deal with the subject of farm relief and on the other hand to aggravate the problem by bringing new and otherwise unproductive lands into production.

3. After an extended and carefully considered discussion of the question of the cooperative credit needs participated in by leaders of the principal cooperative commodity groups of the Nation, we strongly recommend a thoroughgoing revision of the Federal rural credit machinery as one of the most essential and beneficial means of promoting agricultural cooperation in the United States. Adequate credit facilities of this character will facilitate in the soundest and most effective way the organization of self-help agencies by farmers to deal with the problem of farm relief.

This thorough-going revision and expansion is the most vital single need of the cooperatives already in existence. It will assist them materially to consolidate their positions and to expand their organizations to the point where they themselves can be important factors in stabilizing conditions affecting the marketing of their products.

We therefore submit for your consideration and urge your support of the following definite recommendations looking toward the reorganization of the Federal rural-credit machinery so that it will adequately provide for (1) productive credit, (2) marketing credit, and (3) credit to enable cooperatives to expand their ownership and operation of physical properties:

(*a*) The separation of the 12 Federal intermediate-credit banks from the 12 Federal land banks.

(*b*) The creation of the Federal intermediate credit board, a separate and independent body to supervise the Federal intermediate-credit banks.

(*c*) The establishment of a $300,000,000 revolving fund to be placed at the command of the Federal intermediate-credit banks and to be loaned to cooperative associations to enable them to acquire or erect various types of processing plants, warehouses, and other facilities necessary to their successful business operations.

Loans under this revolving fund should be for a period of not to exceed 20 years, and should be repayable on the amortization plan, and should be allowed up to 80 per cent of the assets of the borrowing association.

(*d*) Authorization to the Federal intermediate-credit banks, wherever needed, to draw upon the Treasury in sufficient amount to increase their capital stock,

so that the lending power of any single bank would be sufficient to care for the needs of the largest cooperative within its territory.

(e) Reduction of the minimum time limit on commodity loans which are now made by the Federal intermediate-credit banks on the security of warehouse certificates from 6 months to 60 days.

(f) Authorization to the Federal intermediate-credit banks to lend cooperative associations for marketing purposes on warehouse receipts amounts not to exceed 90 per cent of the market value of such commodities at the time the loan is negotiated, provided the commodities thus pledged as security are hedged on a recognized future contract market. In cases where commodities are not hedged the loans should be allowed at not to exceed 75 per cent.

4. On the three previously mentioned major recommendations there was unanimous agreement on all of the major points, but in the matter of Federal legislation looking toward control of exportable and seasonal surpluses a difference of opinion developed as to the most desirable and effective plan of dealing with this very difficult and much involved subject.

Some were of the opinion that until a better method of dealing with the surplus control question is suggested the equalization fee should still be advocated. Others thought stabilization corporations, as proposed in some bills now before the committees of Congress, might be helpful. Still others were opposed to both the equalization fee and the stabilization corporations.

The entire conference was in complete agreement, however, that no plan for surplus control of any commodity could be permanently effective, or even avoid disastrous consequences, unless provision were made in the legislation to effectively control overproduction.

The conference was in full agreement also on the point that surpluses must be controlled at the source of production, and that unless such provision is assured in any Federal legislation there is almost certain to result an average price level over a period of years that would be injurious rather than beneficial to farmers—a consequence which all friends of agriculture desire to avoid.

We therefore recommend to you that under any plan of surplus control due consideration must be given to the means for controlling overproduction.

Members of the conference were also agreed that no stabilization corporations should be created unless there is overwhelming evidence that a substantial majority of the cooperatives dealing in a commodity are desirous of having them created.

Members of the conference were also agreed that if stabilization corporations are created there should be a separate corporation for each important commodity, and these corporations should be subsidiaries of the cooperative commodity organizations dealing in that commodity and should be under their control and management.

It was also the consensus of opinion that the establishment of stabilization corporations independent of the cooperatives would be detrimental to cooperative organizations and would therefore be contrary to the avowed national policy of the Nation as expressed by leaders of the administration and both Houses of Congress.

The persons making the above recommendations to the cooperatives of the country constituted a group which were instructed to remain over from a large meeting of cooperative leaders held in Washington March 21 and 22. These persons consisted of C. O. Moser, Dallas, Tex., president and general manager American Cotton Growers Exchange; Sam L. Morley, Oklahoma City, Okla., general manager Oklahoma Cotton Growers Association; Charles W. Holman, Washington, D. C., secretary National Cooperative Milk Producers' Federation; C. B. Denman, Farmington, Mo., president National Livestock Producers; A. U. Chaney, New York, N. Y., general manager American Cranberry Exchange; Earl W. Benjamin, New York, N. Y., manager Pacific Egg Producers Cooperative (Inc.); D. H. Allen, Delaven, Ill., representing the Farmers Grain Dealers Association of Illinois; S. J. Cottington, Stanhope, Iowa, representing the Farmers National Grain Dealers Association; J. J. Knight, Kansas City, Mo., general manager Equity Union Grain Co.; M. P. Hill, Francesville, Ind., president Farmers National Grain Dealers Association and Farmers Grain Dealers Association of Indiana (Inc.); G. S. Ralston, Onley, Va., representing the Eastern Shore of Virginia Produce Exchange; G. W. Slocum, Milton, Pa., member executive committee, National Cooperative Milk Producers' Federation.

The larger meeting formally approved a plan whereby the major cooperative groups will set up the National Chamber of Agricultural Cooperatives as an

agency to speak for them in matters of legislative and public character wherever they are in complete agreement. This conference also worked out the details of a rural-credit bill embodying the principles expressed in the above recommendations.

These recommendations to the cooperatives are made with the full understanding that they are in no wise binding the respective organizations which were represented in the conference but we feel compelled to make this statement because legislation is imminent and the cooperatives of the country are looking toward the Washington conference for some guidance.

The committee of eight, known as the National Committee on Cooperation, which called the Washington conference on March 21 was appointed as a result of a conference of about 200 representatives of cooperative associations who met at Berkeley, Calif., last summer during the sessions of the American Institute of Cooperation. This committee consists of the following:

C. O. Moser, Dallas, Tex., president and general manager of the American Cotton Growers Exchange; John D. Miller, Susquehanna, Pa., vice president and general counsel of the Dairymen's League Cooperative Association (Inc.), and former president and now member of the executive committee of the National Cooperative Milk Producers' Federation; R. A. Wurd, Portland, Oreg., general manager of the Pacific Cooperative Wool Growers; S. D. Sanders, Seattle, Wash., president of the Washington Cooperative Egg and Poultry Association; C. B. Denman, Farmington, Mo., president of the National Livestock Producers Association and president of the St. Louis Livestock Producers Association; J. J. Knight, Kansas City, Mo., general manager of the Equity Union Grain Co.; Ernest R. Downie, Wichita, Kans., general manager of the Kansas Cooperative Wheat Marketing Association; and John D. Zink, Springfield, Mass., general manager of the Eastern States Farmers' Exchange.

Those who participated in the conference to set up the National Chamber of Agricultural Cooperatives and subsequent action on legislative matters consisted of the following:

C. O. Moser, Dallas, Tex., president of the American Cotton Growers' Exchange; A. U. Chaney, New York, N. Y., president of the American Cranberry Exchange; Charles G. Henry, Little Rock, Ark., president and general manager of the Arkansas Cotton Growers' Cooperative Association; C. A. Martin, Phoenix, Ariz., secretary and sales manager of the Arizona Pimacotton Growers; M. C. Burritt, Ithaca, N. Y., of the Cooperative Grange League Federation; Fred H. Sexauer, Auburn, N. Y., president of the Dairymen's League Cooperative Association (Inc.); George W. Slocum, Milton, Pa., and Chester Young, New York, N. Y., of the Dairymen's League Cooperative Association (Inc.); John D. Zink, Springfield, Mass., general manager of the Eastern States Farmers Exchange; J. J. Knight, Kansas City, Mo., general manager of the Equity Union Grain Co.; D. H. Allen, Delavan, Ill., of the Farmers Grain Dealers of Illinois; J. E. Conwell, Atlanta, Ga., president and general manager of the Georgia Cotton Growers' Association; H. D. Allebach, Trappe, Pa., president Inter-State Milk Producers' Association; F. P. Willits, Ward, Pa., director, Inter-State Milk Producers' Association; Ernest R. Downie, Wichita, Kans., general manager of the Kansas Cooperative Wheat Marketing Association; I. W. Heaps, Baltimore, Md., secretary-treasurer of the Maryland State Dairymen's Association; C. L. Neill, Jackson, Miss., president of the Mississippi Farm Bureau Cotton Association; Harry Hartke, Covington, Ky., president of the National Cooperative Milk Producers' Federation; Charles W. Holman, Washington, D. C., secretary of the National Cooperative Milk Producers' Federation; S. J. Cottington, Stanhope, Iowa, president National Farmers' Elevator Grain Co., cooperative; C. B. Denman, Chicago, Ill., president of the National Live Stock Producers' Association; R. W. Strong, Cleveland, Ohio, secretary of the Ohio Farmers Cooperative Milk Association; W. E. Richards, Cleveland, Ohio, of the Ohio Farmers' Cooperative Milk Association; L. B. Palmer, Columbus, Ohio, president of the National Wool Marketing Council and the Ohio Wool Growers' Cooperative Association; Earl W. Benjamin, New York, N. Y., manager of the Pacific Egg Producers' Cooperative (Inc.); J. B. Christenson, New York, N. Y., of the Pacific Egg Producers' Cooperative (Inc.); Alfred Scarborough, Columbia, S. C., general manager, secretary, and treasurer of the South Carolina Cotton Growers' Cooperative Association; B. C. Pittuck, El Paso, Tex., secretary and general manager of the Southwestern Irrigated Cotton Growers' Association; Harry Williams, Dallas, Tex., general manager, secretary, and treasurer of the Texas Farm Bureau Cotton Association; Robert C. Mitchell, Hartford, Conn., president of the Connecticut Milk Producers' Association; N. C. Williamson, Shreveport, La., president

of the Louisiana Farm Bureau Cotton Growers' Cooperative Marketing Association; W. P. Davis, Boston, Mass., general manager of the New England Milk Producers Association; N. P. Hull, Lansing, Mich., president of the Michigan Milk Producers' Association; Allen Worthington, Montgomery, Ala., general manager of the Alabama Farm Bureau Cotton Association; F. G. Swoboda, Plymouth, Wis., of the National Cheese Producers' Federation; H. F. Meyer, Minneapolis, Minn., of the Land O' Lakes Creameries (Inc.); and R. Smith Snader, New Windsor, Md., president of the Maryland State Dairymen's Association.

A legislative committee consisting of C. O. Moser, Dallas, Tex., president and general manager of the American Cotton Growers' Exchange, and Charles W. Holman, Washington, D. C., secretary of the National Cooperative Milk Producers' Federation, was authorized to ask leaders of Congress to make provision for hearings on the special rural credit legislation indorsed by the Washington conference.

Mr. FULMER. Mr. Moser, how do you and your people feel about the placing of a tariff on jute and jute products which are now being imported into this country?

Mr. MOSER. We think, Mr. Fulmer, that a tariff on jute would be helpful to cotton provided it is a prohibitive tariff, and we either want a tariff that will completely prohibit competition with cotton, so far as those things are concerned in which cotton can be substituted for jute—and there are some in which cotton can not be substituted for jute—but so far as anything in which cotton can be substituted for jute is concerned we are favorable to it, but we are opposed to any tariff unless it does do that. We do not want to pay any more for bagging unless we are going to consume some more cotton as a consequence of it.

Mr. FULMER. How do you feel toward the net weight cotton bill?

Mr. MOSER. We think it is absolutely essential. We favor it a hundred per cent, and we think it is a companion bill that ought to go along with the jute bill by all means.

Mr. FULMER. Do you believe that a bill of that type should be considered in this extra session as a part of relief for farmers?

Mr. MOSER. Yes, sir; we think that that is a thing which should be considered along with these other things affecting cotton.

Mr. FULMER. That is all.

Mr. LARSEN. Suppose that you should not be able to obtain the tariff which you think necessary for jute; would you still favor the net weight cotton bill?

Mr. MOSER. Yes, sir.

Mr. LARSEN. Regardless of the fact that a great deal of the jute now being used is reconditioned in this country and used for bagging?

Mr. MOSER. The point about it is that there are many abuses surrounding the cotton trade on account of the way the cotton is sold on the gross weight. Do you understand what I mean?

Mr. LARSEN. You have not made yourself clear.

Mr. MOSER. Here is what I mean: America is the only country that produces cotton which is not sold on a basis of net weight. Our cotton is sold on the basis of the gross weight. Now, the amount of tare there is on a bale of cotton over there naturally has a good deal to do with what the price is on the cotton, and there is a practice is this country where you put 6 to 8 pounds of patches on it in order to cover up the holes, and that is at the expense of the farmer.

Mr. LARSEN. Does a farmer selling a bale of cotton now really get paid for the bagging and ties on the bale of cotton, or does he not?

Mr. MOSER. If they knew how much bagging and ties were on them, I expect that the cotton merchants would tell you that competition would compel them to pay for the bagging; that is, pay for the net weight, and that would be taken into consideration in the price. But where there is no standard weight for bagging, in practice we find that that is not true.

Mr. LARSEN. So far as the gin weight is concerned, is it not a fact that there is, pretty generally speaking, a standard weight for bagging and ties, and that the weight of which you speak is not a standard weight, because of the fact that it is compressed, and the compress companies in certain instances use more bagging than others?

Mr. MOSER. The difference is that about 22 pounds of bagging and ties are on the bale at the time the gin puts it out, and by the time it gets to the consumer it usually has 30 pounds of bagging and ties.

Mr. LARSEN. That is exactly the point I want to draw out. I have no convictions in this matter especially, but I am trying to get some information, as you speak very positively on the question. You say that there is about 22 pounds of weight in bagging and ties on every bale of cotton now, as it leaves the gin. Now, when the farmer sells that bale of cotton, does he get paid for that 22 pounds, we will say, of bagging and ties?

Mr. MOSER. No, sir. He is supposed to get paid for the cotton.

Mr. LARSEN. Well, does he? That is what I want to know.

Mr. MOSER. I just tried to tell you that I do not think he does get paid for it.

Mr. LARSEN. Does the farmer now believe that he does?

Mr. ASWELL. He is obliged to.

Mr. MOSER. He thinks that he does.

Mr. LARSEN. He thinks he does?

Mr. MOSER. Yes, sir.

Mr. LARSEN. Now, if you adopt the net weight system, and subtract 22 pounds from a bale of cotton that weighs 500 pounds, and pay him for 500 pounds less 22 pounds, where he thought he got paid for it before, he will know that he did not get paid for it, and you will leave him dissatisfied, will you not?

Mr. MOSER. I will tell you how we approach every problem of that kind.

Mr. LARSEN. Would you answer that yes or no, first, and then I would like for you to give your explanation.

Mr. MOSER. Would you mind if I answer it in the way that I think is a fair way to answer it?

Mr. LARSEN. I want to be fair with you, and I want you to be fair with me. Go ahead.

Mr. MOSER. We answer every question of that kind in this way: That whatever is the right and proper answer to every question is the kind of thing we put up to our people. If the farmer is wrong in his attitude to those questions, it is our responsibility to get him right on it. That is all there is to it, whether it is popular or unpopular; and we have gotten many problems straightened out by being fair to these people and giving them the truth.

Mr. LARSEN. You have answered the question in your way, and now I want you to answer it in my way.

Mr. MOSER. All right. Will you repeat it?

Mr. LARSON. Will the reporter read the question?

(The reporter read the question as follows:)

Now, if you adopt the net weight system and subtract 22 pounds from a bale of cotton that weighs 500 pounds and pay him for 500 pounds less 22 pounds, where he thought he got paid for it before, he will know that he did not get paid for it, and you will leave him dissatisfied, will you not?

Mr. MOSER. No, sir; I do not think so.

Mr. LARSEN. Why not?

Mr. MOSER. Simply because you are going to teach him how cotton is bought and sold, and then he will know as much about it as the people who buy it.

Mr. LARSEN. He is yet to be taught, is he not?

Mr. MOSER. Yes, sir.

Mr. LARSEN. And while he is being taught that, you know enough about teaching school, if you have ever taugh any, as I presume probably you have, to know that all of them do not learn their lessons, do you not?

Mr. MOSER. Some of them learn it much more quickly than others, of course.

Mr. LARSEN. And some of them never learn at all?

Mr. MOSER. Some of them never learn at all; that is right.

Mr. LARSEN. And those will be dissatisfied?

Mr. MOSER. We can not satisfy people if they can not be satisfied by being told the truth.

Mr. LARSEN. I understand that thoroughly; but sometimes where under a new plan you can not satisfy a man, and he is already, under the old plan, well satisfied, would you not better let him go on and remain satisfied in his way?

Mr. MOSER. I do not think so, if it is at his expense.

Mr. LARSEN. Does his want of correct information actually bring him an expense? You say it is deducted anyhow, and the other way it will be deducted; so what is the difference? If you do not pay him for it, and if you do not propose to pay him for it, and he is satisfied with one, and with the other you admit that he will be dissatisfied, where is the good in trying to teach him?

Mr. MOSER. The difference is that the bales of cotton which go to the domestic mills are not patched. They get the cotton usually on the basis of the gin tare.

Mr. LARSEN. But you are getting away from the question that I asked you. I was speaking about the farmer, not the compress man.

Mr. MOSER. I will tell you why it is impossible to give the farmer the full credit for his net weight in cotton. That is the only thing that he has produced that he has got to sell, and without having some basis for doing that in every particular he gets the worst of it whenever there is an opportunity to give him the worst of it by the people who buy his cotton.

Mr. LARSEN. That is all.

Mr. FORT. Mr. Moser, I just want to ask you another question or two along the line that Mr. Jones asked you. Have your cotton cooperatives any capital?

Mr. MOSER. No; but we have reserves. We have operating funds.

Mr. FORT. Are those taking into account by your intermediate credit bank?

Mr. MOSER. Yes, sir; I think so.

Mr. FORT. And in what percentage?

Mr. MOSER. Well, not that way; simply as a part of the moral risk involved.

Mr. FORT. But an addition to your capital and reserve facilities would automatically increase your credit with the intermediate credit bank, would it not?

Mr. MOSER. That has not been taken into any definite consideration up to this time, Mr. Fort.

Mr. FORT. Do you think it should be?

Mr. MOSER. We think that our reserve certainly gives us greater financial strength, and that ought to be taken into consideration, I think, in any good loan.

Mr. FORT. It also, of course, makes it more easily possible for you to put up the margins?

Mr. MOSER. Yes, sir; that is right.

Mr. FORT. It has been suggested in some of our hearings in the past that we could help the cooperatives, and, I think, notably the cotton cooperatives, if in this legislation we should put at the disposal of the sound and well-managed ones Government capital loans for margins, so arranged that they would not become a liability of the cooperative until after its bank loans are satisfied. What do you think about that?

Mr. MOSER. Do you mean for just normal operating purposes; just for merchandising purposes?

Mr. FORT. Yes; and you say also that you could only borrow, with a normal cooperative, $5,000,000, when you might need $15,000,000?

Mr. MOSER. Yes, sir.

Mr. FORT. Now, that is partly due to the fact that you can only borrow, say, 75 per cent, is it not?

Mr. MOSER. No, sir; it is altogether due to the amount of capital of the Wichita Intermediate Credit Bank. That is the only problem there.

Mr. FORT. But if you wanted to borrow $15,000,000, you would have to put up $3,750,000 of your own, would you not?

Mr. MOSER. No; we could not borrow it all, under the ruling we have. We could not borrow $15,000,000 from any intermediate credit bank, regardless of the amount of collateral or our own capital. It is altogether limited by the amount of the capital of the intermediate credit bank. That is the trouble.

Mr. FORT. I was not quite clear as to your point there; but what I want to get at is this: Do you have any difficulty in supplying the 25 per cent margin between what you can borrow from the intermediate credit bank and the value of the cotton?

Mr. MOSER. Well, that margin is owned by the member himself.

Mr. FORT. And the fact that that margin has to be carried limits the possibility of your expanding your membership, does it not?

Mr. MOSER. If they could get a larger percentage, of course, of the value of their cotton, it would be favored by the members; that is true. But as long as we have to absorb the risk in the fluctuation of the price, we do not think ourselves that it would be advisable for us to maintain a margin smaller than 25 per cent on unhedged cotton.

Mr. FORT. How much of your cotton do you hedge, and how much do you carry unhedged?

Mr. MOSER. We hedge different quantities under different conditions. For instance, if you are familiar with the cotton trade and the ways mills buy cotton, you will understand that there are two separate operations in the sale of cotton. One is on what we call the basis; that is, the fluctuations in the different grades and staples; and we leave to the mills the time of fixing the price on the future market. If the mill fixes that price on what we consider is an unfavorable time, then we would buy a future contract to replace the spot cotton which we had sold, and by that means we avoid the carrying charges on the cotton, and at the same time we have the actual opportunity for availing ourselves of the increase in price, which we study very carefully.

Mr. FORT. To get to another subject for a moment, you feel strongly, I gudge from what you have just said, that we ought to act in regard to cotton, or ought to fix it so that the board could act in regard to cotton, only at the request of the cotton cooperative. Is that correct?

Mr. MOSER. Yes, sir; we think so. We think that whenever the thing gets beyond our own ability to handle it, we ought to be the ones to call for help.

Mr. FORT. But you do not want them to do it without your call?

Mr. MOSER. We do not think so, Mr. Fort.

Mr. FORT. One other thing: You speak of selling direct to the trade. Is that the way you merchandise the bulk of your cotton, or do you merchandise through the future markets also?

Mr. MOSER. No; we do not merchandise through the future markets. We use the facilities of the future market.

Mr. FORT. But you do not sell any?

Mr. MOSER. There are times when you can deliver cotton on future contract and get more money for it than you can by selling spot cotton; but that is a very unusual condition.

Mr. FORT. Have you found in your cotton trade that the manufacturing interests who are the ultimate consumers of raw cotton are sympathetic or unsympathetic toward the cooperative movement?

Mr. MOSER. They are very sympathetic to cooperative cotton marketing. We work closely with the Cotton Textile Institute and with both the American and the National Wholesale Cotton Manufacturers.

Mr. FORT. And there is no hostility there, apparently?

Mr. MOSER. Not on the whole. There are individuals who do not comprehend the movement, and things of that kind, just as there are farmers who do not comprehend it.

Mr. FORT. Do you standardize in your association, or is it only the Mississippi staple people that have set up standard grades?

Mr. MOSER. Oh, no; we have standard grades and ship our cotton in even-running lots of grade and staple.

Mr. FORT. Have your grades attained the same authority in the market that the Mississippi grades have?

Mr. MOSER. Of course we standardize, or what we call "put up" our cotton according to the Government standards; and then we have our own types, and we have our own trade-mark names, and those are well established in the cotton trade.

Mr. FORT. You have not given us, Mr. Moser, anything except your suggestion about the intermediate credit banks. Is there anything else that you can think of that we can do to help develop cooperative marketing in the United States on sound lines?

Mr. MOSER. Well, we think that the greatest single opportunity for helping the cooperatives is going to come through the use of the three types of loans which we suggest in the new intermediate credit bank. The first of those is to provide production credit where needed and to supplement the regular commercial production credit; not to substitute for it, because we only go into production credit reluctantly. We do not like it. We only go into it where we have to, almost.

Mr. FORT. That is in the case of cotton, for example, for the purpose in part of enabling you to make it possible for men to join who now have to mortgage their crop.

Mr. MOSER. That is the idea.

Mr. FORT. That would be a tremendous boon to the cotton cooperatives, if we somewhere provided the funds with which you could match the present mortgaging of cotton before it is grown.

Mr. MOSER. That is right.

Mr. FORT. The second form of credit is what?

Mr. MOSER. The second form of credit is an adequate marketing credit. We now have some marketing credit in the intermediate credit bank, but it is not adequate.

Mr. FORT. On that point, do you feel that we ought as a Government—of course, this committee can not do anything—but do you feel that we ought, as a Government, to establish in a bank—a thing called a bank and operated on banking principles—too great a relaxation of credit facilities, or that we would better, if we are going to relax somewhat from standardized rules of credit, put the funds definitely in the control of a board created for the purpose of fostering cooperative marketing?

Mr. MOSER. We think that is what this new bank will virtually be. It will virtually be an intermediate credit bank for cooperatives. That is about what it would amount to.

Mr. FORT. That is your idea?

Mr. MOSER. Yes.

Mr. FORT. Then it is really your proposition, in insisting that this be in the intermediate credit bank, that it be done through a new type of intermediate credit bank such as you now conceive that it should be, and not through the traditional type of bank.

Mr. MOSER. We do not want to depart materially from the traditional idea of good banking. We do not want to do that. We want this bank to be operated on sound banking lines, but we think it ought to have such facilities and such latitude of operation as will meet the practical commercial needs of the present day and the future cooperatives. We do not think the existing bank does that.

Mr. FORT. You want those facilities extended for that purpose?

Mr. MOSER. Yes, sir.

Mr. FORT. Your third form of credit is what?

Mr. MOSER. The third form of credit is for the purchase or for the erection of physical facilities for the various cooperatives.

Mr. FORT. You feel that ought to be in the intermediate credit banks which are regional?

Mr. MOSER. We think that ought to be a part of the regular rural credit machinery, because there is going to be a large demand for that type of credit and a very splendid opportunity to really help agriculture through that means.

I could go into a long recitation of how those funds could be used and how they could be beneficially used and how they could serve cooperatives.

Mr. FORT. I think we have had that evidence in the past, and I think we are all agreed on it. The only question is where the power should be lodged.

Mr. MOSER. We believe it is a regular banking function and should be a part of the regular banking establishment.

Mr. FORT. As a regular banking function, loans would not be considered so much from the standpoint of general utility to the promotion of a particular industry as a whole, but would be considered from the individual viewpoint of the particular loan sought, would they not?

Mr. MOSER. Yes; I think that ought to be the case.

Mr. FORT. You think that ought to be the case?

Mr. MOSER. Yes, sir; I believe so.

Mr. FORT. You think, then, it ought to be possible for the intermediate credit bank to disregard the fact as to whether some other cooperative in the near vicinity also had or wanted facilities and make a competing loan?

Mr. MOSER. I do not know that it would be good business to encourage the organization of competitive cooperative associations. I doubt whether that would be a wise thing to do. But I do think that where it could be worked out in some kind of an equitable and proper way, there ought to be some latitude on the part of the board to use its judgment. Some of them may be better managed than others. They may want to encourage one of them and may not want to encourage another. They might think that one of them was a better loan than another. Those things ought to be taken into account.

Mr. FORT. Do you not think it ought to be taken into account as a part of the general survey of the agricultural picture as a whole? Do you or do you not?

Mr. MOSER. I think it ought to be a part of the general survey. Then I think it ought to be specific, too.

Mr. FORT. I grant you it must be specific in the last analysis.

Mr. MOSER. Yes.

Mr. FORT. If that is true, should it be in a bank or should it be in a board charged with the general duty and function of studying this whole question and deciding whether such steps as it takes are for the general benefit of cooperative marketing and of agriculture?

Mr. MOSER. It is difficult for me to conceive of a board which would meet the expectations, I might say, of the farmers of the country who, at the same time, might have sufficient banking experience to properly safeguard that kind of a fund. I do not think we ought to get so liberal with this money that we are going to lose a lot of it.

Mr. FORT. Neither do I.

Mr. MOSER. I do not think we ought to do that. I think it is a thing which requires really some particular experience in loaning money.

Mr. FORT. You have not yet answered my question—we digressed from it—whether you had any suggestions of anything we could do to aid cooperative marketing other than intermediate credit bank facilities.

Mr. MOSER. We think that will do us more good than everything else put together that you can do.

Mr. FORT. But is there anything else we can do?

Mr. MOSER. If we can think of anything else, we will tell you about it.

Mr. FORT. You have not thought of anything?

Mr. MOSER. We have not thought of anything; no, sir.

Mr. FORT. We are all pledged to do what we can for cooperative marketing.

Mr. MOSER. That is right.

Mr. FORT. We want to know what else we can do.

Mr. MOSER. Except, if there is a stabilization corporation created, there ought to be one for each commodity, and they ought to be subsidiary to the cooperative marketing associations dealing in that commodity.

Mr. FORT. That is all.

Mr. MENGES. I notice that you have changed your attitude regarding the equalization fee.

Mr. MOSER. Yes, sir.

Mr. MENGES. You are lukewarm on stabilization, are you not?

Mr. MOSER. Yes, sir.

Mr. MENGES. Will you tell us what you are for?

Mr. MOSER. That is what I have been trying to do.

Mr. MENGES. Somehow or other I did not get it.

Mr. CLARKE. Intermediate credit banks. He is right back to the Clarke formula there.

Mr. MENGES. That is no good good. I have no other questions.

Mr. ANDRESEN. Mr. Moser, you represent the largest cooperative merchandising agency in the country, I understand.

Mr. MOSER. I do not know about what the others do, I am sure.

Mr. ANDRESEN. One of the largest?

Mr. MOSER. Yes, sir; I presume so.

Mr. ANDRESEN. As far as this committee is concerned it appears to me that you have offered no remedy or solution which we can consider in the line of general farm legislation. Is there anything wrong with the cotton industry, or cotton production?

Mr. MOSER. Yes, sir; there is much wrong with it.

Mr. ANDRESEN. What is wrong with it?

Mr. MOSER. It is suffering from the worst kind of poverty I can think of.

Mr. ANDRESEN. What is the reason for it? We are trying to solve that problem in the way of legislation.

Mr. MOSER. They do not get enough for the cotton.

Mr. ANDRESEN. Is there anything that we can do in this committee to help give them more for their cotton?

Mr. MOSER. I do not know of any way that you can do it.

Mr. ANDRESEN. You are going to file a statement, Mr. Moser, for the cooperative organizations that met here the other day?

Mr. MOSER. That is the statement that I left here.

Mr. ANDRESEN. Are you filing it for the group and do you speak for them?

Mr. MOSER. No, sir; I am only speaking for the cotton cooperatives. I am only filing that as a part of the evidence I want to put before this committee. Nobody is authorized to speak for the group as a whole. This statement was made by a committee of which I was chairman as a recommendation to the cooperatives of the country, and which was subscribed to as individuals by those who were present at the meeting.

Mr. ANDRESEN. Is the statement similar to the statement which you have made that this committee can pass no legislation or approve no legislation for the benefit of agriculture?

Mr. MOSER. No; we did not say that at all.

Mr. ANDRESEN. That is my understanding of your testimony, that there is nothing this committee can do in the line of general farm legislation.

Mr. MOSER. You mean so far as the Committee on Agriculture is concerned?

Mr. ANDRESEN. Yes.

Mr. MOSER. Well, you have a perfect right to pass legislation including stabilization corporations, have you not?

Mr. ANDRESEN. You are not for the stabilization corporations?

Mr. MOSER. I am not strong for them; no, sir.

Mr. ANDRESEN. Do you believe that they can do any good whatsoever for the cotton producer?

Mr. MOSER. We only hope so. We are not convinced.

Mr. ANDRESEN. Are you willing to give the stabilization corporation a trial?

Mr. BRIGHAM. Is there not some way of educating the producers so that they will not make that same response?

Mr. MOSER. So far as we are able to see that is purely a matter of price.

Mr. BRIGHAM. But if you could bring it home to the producer that overproduction means low price might that have an effect on overproduction?

Mr. MOSER. The trouble with the farmer is this: He has so many acres of land and he wants to use that land in some kind of productive enterprise. If he switches from cotton to wheat he has an overproduction of wheat. If he switches from wheat to cotton he has an overproduction of cotton. If he goes into the raising of livestock, then he has an overproduction of livestock. He does not know which way to jump.

Mr. BRIGHAM. If I understand you correctly, there is no way by which that penalty can be removed for overproduction.

Mr. MOSER. If we could take out of production any considerable quantity of land it would help, and if we could quit adding to the production of this country lands which are not now productive, it would help. We ought to quit putting more land into production until we catch up with our own production, so far as demand is concerned.

Mr. BRIGHAM. But you can extend the cotton acreage West and North considerably, can you not?

Mr. MOSER. I do not know how much we can increase the cotton acreage, but I would like to make this estimate of it. I think we

could double the production of cotton in the United States. I am satisfied we could do that.

The CHAIRMAN. Your policy is to study the flow, in other words to supply the demand?

Mr. MOSER. Yes, sir.

The CHAIRMAN. And to meet the demand?

Mr. MOSER. Yes, sir.

The CHAIRMAN. Domestic production is two-thirds of the world production, is it not?

Mr. MOSER. A little less than that now.

The CHAIRMAN. Are you in a position to influence the world's market?

Mr. MOSER. Yes, sir.

The CHAIRMAN. To study the flow to meet the demand?

Mr. MOSER. American production has more to do with the world market, a great deal more, than the production of any other country.

We only take into consideration, as a matter of fact, in studying and stating our price trends the American and the Russian production. Those are the only two factors that are necessary in the world production of cotton to really study the price movements.

The CHAIRMAN. Then, there is really no world supply so far as cotton is concerned.

Mr. MOSER. Yes; there is a considerable supply, but the type of cotton is so different. There is very little cotton grown in the world which is identically the same as that which grows in America.

The CHAIRMAN. Then you have a world surplus problem?

Mr. MOSER. Yes, sir. We are willing to give anything which suggests any hope the fairest kind of a trial.

Mr. ANDRESEN. That is all.

Mr. PURNELL. I would like to make the statement that we have one more witness this evening with whom we would like to conclude, and the program committee would appreciate it if members will expedite the cross-examination of this witness as much as possible.

Mr. ADKINS. You are a member of this group that has been in session here talking this matter over, are you not?

Mr. MOSER. Yes, sir.

Mr. ADKINS. I presume if a stabilization corporation as probably will be provided for and the cotton fellows were to organize one and attempt to take over the surplus and get a world market and make money they would be happy, would they not?

Mr. MOSER. You know, Mr. Adkins, I think this is a point where we misunderstand one another.

Mr. ADKINS. Just wait a moment until I get through. The point I am trying to get at is this: Everybody in your organization would feel happy under those conditions?

Mr. MOSER. Yes, sir.

Mr. ADKINS. On the other hand, if you hit a large world crop and a price that is below cost of production and a lot of money is lost, the very reverse effect would be had on the rank and file of the farmers?

Mr. MOSER. Yes, sir.

Mr. ADKINS. Your organization is an organization of money-making organizations. That is, you have to make a success of your business or else you will not exist. Is not that the situation?

Mr. MOSER. That is right.

Mr. ADKINS. I presume you have had a little hunch that there will be a law passed here creating a board and providing for a stabilization corporation.

Mr. MOSER. I expect so.

Mr. ADKINS. And I suppose almost everybody sees it as a sort of experiment.

Mr. MOSER. Yes, sir.

Mr. ADKINS. And are ready to try something.

Mr. MOSER. That is right.

Mr. ADKINS. But we will get down to cases after a while and try to write a bill. There has been a good deal said about the powers of the board and the advisory councils, and so forth. If a bill is passed providing such a board and then one of the men should decide that it would be advisable for this stabilization corporation to be organized for cotton and to take over a large quantity of this cotton, what is your notion about the advisory council? Do you think an advisory council is necessary, or do you think that your cotton cooperatives should be the fellows to bring that to the board, to ask for a loan and to tell them their plans, and so forth, without any official advisory council provided for?

Mr. MOSER. I am speaking of my own individual views on this, because our group has not acted on that. My opinion is that if the legislation provides that a stabilization board will be set up at the request of the cooperatives that there will not be any particular need for an advisory council. If the board has the authority to say when the stabilization corporation will be set up, then I think they do not need an advisory council.

Mr. ADKINS. You do not think the board ought to have such authority.

Mr. MOSER. I do not think so; no, sir.

Mr. ADKINS. In other words, the initiative should come from the cooperatives themselves?

Mr. MOSER. I think so; from the organized growers themselves.

Mr. CLARKE. I have a few questions I would like to ask, notwithstanding what Brother Purnell has said.

Mr. PURNELL. Mr. Chairman, I do not want to cut anybody off. I just wanted to remind the committee that Mr. Horst, of California, is here and we would like to conclude with him to-day.

Mr. CLARKE. What organization do you represent?

Mr. MOSER. Cotton cooperatives.

Mr. CLARKE. They are the ones in which Mr. Kilgore is also a cooperator?

Mr. MOSER. Yes, sir. Doctor Kilgore is chairman of the board.

Mr. CLARKE. You talked about a survey of the marginal lands. I would like to know what your idea is as to who should make this survey and who should decide and who should enforce a decision as to whether marginal lands as between agriculture and growing timber or something else should be utilized?

Mr. MOSER. Well, I think a proper committee or board, or some one with power to make a study of those things on a strictly scientific and economic basis should consider those things and make a report back and then a national policy should be determined on the question. I have not worked out any plan for doing that.

Mr. CLARKE. How do you think any such survey could be made effective? You are, as I understand, in favor of voluntary cooperation.

Mr. MOSER. Yes.

Mr. CLARKE. How are you going to make it effective with the farmer?

Mr. MOSER. The Government has all the power that it needs to acquire public lands, has it not?

Mr. CLARKE. You think under the power of eminent domain it can go in and take any farmer's land and say to him, "Here, your land is marginal land and therefore we have a right to take it over at our price?"

Mr. MOSER. No; I would not say "at your price," but at a fair price.

Mr. CLARKE. You say the Government has the power. What do you mean?

Mr. MOSER. You do not doubt but what the Government has the power to make such a survey?

Mr. CLARKE. I want to see the practical working of it. That is all I want to see.

Mr. MOSER. Yes. I think the Government has the power to do that.

Mr. LARSEN. Take the land?

Mr. MOSER. No; not take the land; acquire the land, pay for it, give the man the money.

Mr. CLARKE. There is a little constitutional inhibition there about nobody having property taken from him without due process of law.

Mr. MOSER. Why certainly.

Mr. CLARKE. Just how effective do you think a tariff would be on cotton, for instance?

Mr. MOSER. We do not think it will be effective at all, except on certain specialties of long staple. We think there are a few long-staple lengths of cotton that the tariff can be made effective on. On the rest of it I do not think it can be made effective.

Mr. CLARKE. I understand that one of your complaints, according to your testimony, is that the intermediate credit banks are not as available to you in the use of the fund as they should be; is that right?

Mr. MOSER. Yes, sir. I would not say it is a complaint. I am saying that we think things can be improved along those lines. I do not like to put it in the form of a complaint.

Mr. CLARKE. The testimony before our committee is that during this year $600,000,000 worth of cotton has been put in Federal warehouses and money loaned upon it under very advantageous terms. Do you think the Government is meeting its fair share of its duty if it has loaned $600,000,000?

Mr. MOSER. I do not know anything about it. I mean I am speaking from the standpoint of our own organization's needs.

Mr. CLARKE. And your organization represents how much of the industry, what percentage?

Mr. MOSER. It represents about 900,000 bales.

Mr. CLARKE. What percentage is that of the total crop?

Mr. MOSER. Something like 8 or 9 per cent right now.

Mr. CLARKE. Do you not think the Government is being fairly liberal in its policy, where the intermediate credit banks are certainly performing a useful function in loaning $600,000,000?

Mr. MOSER. I think they are doing very nicely, but not as much as they might do. If they just lack something of what they ought to do, I think they ought to try to make that up.

Mr. HOPE. I have just one or two questions I want to ask Mr. Moser. Yesterday we had Professor Black, of Harvard, before the committee, and it was his opinion that stabilization of prices through a stabilization corporation would not raise the level of prices over a period of years, but he did think it would be possible to bring about a more uniform price over that period of years. Do you think that is possible?

Mr. MOSER. I think the stabilization corporation would certainly make the price more uniform, but I doubt whether it would be uniformly beneficial.

Mr. HOPE. You do not think there is any particular advantage in having a more uniform price over a period of years?

Mr. MOSER. Yes; I think there would be some advantages in having a more uniform price. There are some advantages, but there are also some disadvantages. If the total return over a period of years was less, on account of that uniform price, I do not think it would be a desirable uniformity.

Mr. HOPE. Your view, as I take it, is that a stabilization corporation would not raise the level of prices received by the cotton producer.

Mr. MOSER. Rather, on the contrary, we think it will lover the level of prices.

Mr. HOPE. Something has been said about the orderly marketing of farm products being made possible through stabilization corporations. Do you think it would be possible to market them in a more orderly manner than is now being done, by any method?

Mr. MOSER. You know that word "orderly" has been very badly abused.

Mr. HOPE. That is what I would like to have your opinion upon.

Mr. MOSER. The question is, What is "orderly"? We have revised our own views on the word, as to what it means.

Mr. HOPE. I would like to have your ideas on that subject.

Mr. MOSER. Our own views formerly were that orderly marketing meant the marketing of a certain quantity of the crop each month. We find that the consumers of cotton do not buy the cotton that way. They buy about 65 per cent of their year's requirements during the first five months of the year, and they buy about 35 per cent of their requirements the last seven months of the year. Our conception of orderly marketing is that we will offer our cotton for sale in the ratio in which it goes into the consumers' hands.

If we do not market our proportion of cotton as fast as the consumer buys it, we find that later on in the year we have to force a portion of our cotton on the market faster than the consumer is buying it, and we think orderly marketing consists in offering our cotton for sale as the consumer needs it, not faster, not slower. That is orderly marketing. But that does not mean so much every month.

Mr. HOPE. Do you think there would be any advantage to the producers if a stabilization corporation for that commodity could

control 50 per cent or more of the commodity; that is, would it give them a greater bargaining power with the consumer?

Mr. MOSER. I doubt it very much.

Mr. HOPE. You do not see any advantage along that line from a stabilization corporation?

Mr. MOSER. No; we believe that price levels are the result of the total volume of supply as compared with the total demand over a year.

Mr. HOPE. Do you think a stabilization corporation would have any effect upon the speculative side of the market? Would it prevent speculation to any extent?

Mr. MOSER. I think it would interfere with speculation; yes, sir.

Mr. HOPE. It would stabilize the market, perhaps, in that manner.

Mr. MOSER. There is a difference of opinion as to whether speculation is desirable or not.

Mr. HOPE. Yes.

Mr. MOSER. Unless we have some kind of means of carrying the commodity in the hands of the producers, we think it is very doubtful whether or not it would be desirable to eliminate speculation altogether; because, as a matter of fact, the speculator is the man who carries it from the time the farmer can not carry it until the consumer needs it. That is not orthodox, either.

Mr. HOPE. You have not any suggestions to make, then, as to what might be done toward changing our marketing system? That is, you are satisfied with conditions as they now exist?

Mr. MOSER. No. We think that the normal processes of improving our marketing system will depend upon the largest possible percentage of the cotton grown in the United States being in the hands of the growers themselves, to be merchandised by themselves as fast as there is a consumers' demand, and that portion of the crop which is not needed should be carried by the producers.

Mr. HOPE. That is all.

Mr. BRIGHAM. Is there a definite relationship between volume of production and price?

Mr. MOSER. There is a definite relationship between total supply and price, because you have to add to the production the volume of the carry-over. We think it is a calculable thing in advance.

Mr. BRIGHAM. That is, a certain supply of cotton will bring a certain price?

Mr. MOSER. We think a certain supply of cotton will bring an average of a certain amount that we can anticipate with reasonable accuracy in advance.

Mr. BRIGHAM. And the reason for the poverty-stricken condition of your industry is that there is too large a supply?

Mr. MOSER. Yes, sir.

Mr. BRIGHAM. I assume that the land survey which you recommend, and the taking out of production of certain marginal lands, is for the purpose of reducing the supply of cotton, so the price will be a fair one?

Mr. MOSER. Yes, sir.

Mr. BRIGHAM. Do you think that a farm board could bring the fact home to the producers of cotton that if they overproduce they must, as you say, bear the economic penalty of overproduction, and

in that way secure a reduction of acreage, perhaps a reduction of supply, so that a fair price could be brought about?

Mr. MOSER. We think that education is going to play an important part in all of these great economic fundamentals; but as far as our studies are concerned—and as I said awhile ago, we are trying to find out the facts about these things; we are going to quit trying to fool ourselves about it—as far as our studies go, price regulates acreage, regardless of all the propaganda you can put out.

Mr. BRIGHAM. But is it not a fact, Mr. Moser, that every industry that overproduces has to bear the economic penalty of overproduction?

Mr. MOSER. Absolutely. We believe that.

Mr. BRIGHAM. Whether it is agriculture or anything else?

Mr. MOSER. Yes, sir; any industry.

Mr. BRIGHAM. For instance, the oil industry right now is making an effort to curtail production.

Mr. MOSER. Yes; the textile industry is another example and the coal industry is another one. It is not peculiar to agriculture at all. But the only thing is that those other industries have a greater control over production. There are so many factors in the agricultural problem which are beyond the control of the farmer himself. That is what complicates the agricultural problem. If we could contract our agricultural production as it is possible to contract the production in some of the other industries, it would be a simpler thing. But over 40 per cent of the factors which influence production are beyond the control of the farmer altogether, and that is why the problem is so much more complicated in agriculture. That is one of the reasons. Of course, the other reason is because there are so many more people involved in it. That is the second reason why it is so much more difficult to adjust production to consumption in agriculture.

Mr. BRIGHAM. An acreage could be determined which, on the average, would produce the amount of cotton the world would take at a fair price?

Mr. MOSER. We think we can tell in advance what the acreage will be long before they ever thought about planting. That is how far we carry that thought.

Mr. BRIGHAM. Because of the response of the producer to a high price?

Mr. MOSER. Absolutely. We can tell when there will be a reduction in acreage long before he has figured it out himself.

STATEMENT OF E. CLEMENS HORST, SAN FRANCISCO, CALIF.

The CHAIRMAN. We will hear Mr. Horst now. Will you please state your name and your business?

Mr. HORST. E. Clemens Horst; residence, San Francisco, Calif.; business, farming and merchandising.

Mr. ANDRESEN. Do you represent any organization, Mr. Horst?

Mr. HORST. I do not.

The CHAIRMAN. You may proceed.

Mr. KINCHELOE. What do you raise, fruits?

Mr. HORST. I raise pretty much everything; all crops that are raised in northern California.

Mr. PURNELL. I think it might be interesting to the committee if they had some picture of the magnitude of your farming operations in California and of the businesses that you are engaged in. I think that would be valuable information for the committee to have.

Mr. HORST. Permit me to say I have been in business all my life, first in the banking business, then in the importing and exporting business, then in general merchandising, the buying and selling of agricultural products, and then I eventually drifted into farming and for 30 or 35 years I have been actively engaged in farming and in the exporting and importing and the marketing of my products direct to the wholesalers in the United States and abroad.

My controlling financial interests to-day are in the ownership and operation of farm lands.

Mr. ADKINS. How many acres?

Mr. HORST. I have in farm land 8,500 acres, practically all in intesive farming; that is, in fruits and everything of that sort.

I grow a great many different crops. I used to grow almost entirely hops, but since 1919 I have drifted into other lines of business. In other words, I have helped to swell the surplus of other crops.

To begin with, permit me to say that if I did not feel that Mr. Hoover was whole-heartedly in favor of farm relief and if I did not feel that both branches of Congress were heartily in favor of farm relief and will do all they can do in the way of securing farm-relief legislation, I would not be here to-day to address you.

I believe further that there is a very simple short cut to farm relief, a method that will insure 100 per cent efficiency and that will restore prosperity to the farmers with the harvesting of the 1930 crops, and substantially with the harvesting of the 1929 crop, and that it will restore farm-land values to a reasonable basis, and not only so restore them but keep them there and put farming on a sound financial footing.

Now, of course, if that could be done coincident with making prosperity greater for everybody else, and if it did not cost a cent, of course, we would get it. The business men are glad to let the farmers have a cent more returns if they can make a dollar more for themselves. But unfortunately any plan of farm relief is going to cost something, and existing conditions of business must be somewhat reorganized, and in the reorganization there are going to be some people that are not going to make as much money as they are making to-day under existing conditions. Therefore there must be some price paid.

I want to say further that the plans I am going to put before you of farm relief involve no financial outlay. It will include no bonus from the Government, no subsidies, no cooperative marketing, no stabilization, no debentures—none of that kind of thing. While I am in favor of all of them, I do not think they will work. None of them will produce any of the benefits that we need. If we could get 100 per cent we are satisfied, and if we could get 110 per cent we would be still better satisfied. I am going to talk for the 100 per cent and not worry about the additional 10 per cent.

All the plans of farm relief I have heard of here and elsewhere are highly theoretical and speculative, and it is my opinion that perhaps they will do more harm than good, with no possibility of

their overcoming more than a small percentage of the amount that must be overcome in dollars to put the farmer on a sound financial basis.

To begin with, the farmers must get six and one-half billion dollars more than they are now getting in net returns, to put the farmers on a reasonably sound financial basis. Six and one-half billion dollars can not be overcome by any gift of $100,000,000, much less than by a loan of $100,000,000, or even a thousand million dollars. The thing can not be handled in that way.

All these different plans of farm relief, when you put them to the test of the yardstick of net return, even if they work, will overcome but a very small percentage of the amount that must be overcome.

When you talk about six and a half billion dollars, that is an awful lot of money. How do I arrive at that figure? You will remember the joint sessions you had of the Agricultural Committees of the House and Senate in 1921. You had a report here which talked about the farm crisis, and if you will read that report you will read about the farm debacle, and all that sort of stuff. That was all in reference to the 1920 crops.

What happened since 1920? Of course, according to the Secretaries of Agriculture we have had farm prosperity all this time, the farmers have, according to the Secretaries' reports, been blessed with greater prosperity every year since 1920. But unfortunately the Secretary of Agriculture also publishes a lot of figures and, according to the figures that are published by him, the farmers since 1920 have had in gross proceeds for all their crops, twenty-two billions of dollars ($22,000,000,000) less than if they had had only the losing proceeds of the crop of 1920. There is your condition.

You divide that $22,000,000,000 by 8 and you have about $3,000,000,000 per year right there, and the 1920 crop was a crop of disaster. So you can see for yourself how much greater the disaster has been since 1920.

Then on top of that the farm-land values have declined at the same time by about $30,000,000,000, so the farmers have lost since 1920 around $50,000,000,000.

It is foolish to talk about trying to cure that by lending the farmers money.

What causes the farm disasters? I hope you have that figure of six and a half billion dollars clearly in your mind, and if you want to shrink it, no matter how much you have left, you still have plenty left to show that none of these plans that are being talked about is really going to give genuine farm relief.

What caused those disasters? It was the surplus. We know that. Everybody knows that if there is no surplus then the buyer comes to the farmer to buy his goods. When there is a surplus the farmer has to go to the buyer. When you have a buyers' market the buyer gets the profit, and when you have a sellers' market then the seller gets it. The difference between a surplus and a deficiency is a difference of 5 per cent one way or the other. If you have a 5 per cent crop surplus you have disaster.

Of all the crops of the United States to-day something like 80 or 90 per cent have surplus crops. The reason is that they have overproduction and surplus. Why?

In 1920, 1921, and 1922 the United States exported on an average $500,000,000 more of agricultural products than we imported. We were an export nation, so far as agriculture is concerned. We had had a 10 or 12 per cent increase in population since 1920. With that increase in our population and the same net of exports, our surpluses would have been overcome and our own people would have eaten up the surplus. But what did we do?

By our new economic policy since 1922 we reversed ourselves and became a net importing nation of farm products, and we are now importing on an average of $600,000,000 worth more of farm products than we export. That is a reversal of $1,100,000,000 per year.

It is that reversal of trade conditions that has been overlooked by the tremendous number of farm organizations we have in the United States. It does not seem that any one of them knows anything about it.

It is that reversal that has brought the surplus into the United States, and there is the surplus from which we are suffering and have been suffering for the last six years.

There is only one way to cure that surplus, and that is not to import it.

So far as not raising of crops is concerned, by leaving our own lands idle while we import crops we can raise, that is a race between the bank and the tax collector as to which one gets your farm first. We have no surplus farm acreage in the United States that is developed, and there can not be any new land development under existing conditions of farm-land values.

Either the banker or the tax collector is going to get you if you leave your land idle. You can not leave your land idle. You can grow a crop and harvest half of it, and that doubles the cost of it. What kind of a theorist would advance the proposition that you should grow a crop and harvest half of it and leave the rest unharvested? The only thing we can say is to continue to raise the crop and shut out the surplus we are importing, and if we shut out one-half of the competitive agricultural products we are importing to-day there would be no farm distress at all.

You talk about cooperative marketing. I come from a State where cooperative marketing was born. The real birth of cooperative marketing was in California. It went to a great success in California, but it became successful because there were no excessive surpluses. Just as soon as we ran into excessive surpluses then came disaster, and disaster is inevitable when you have that condition. With the excessive surplus you have, you can have all the cooperative marketing you want, but you will have disasters just the same.

When you have all of any producing lines of business in one organization, the buyers have only one man to trade with; the buyers can scare one man a whole lot easier than they can a whole regiment.

So this cooperative marketing business is a wonderful proposition. It gives all sorts of good returns to the farmer when there are no excessive surpluses, but it is a curse for the farmer when there are surpluses.

I have heard a lot of talk about these organizations to be formed in order to control the surpluses and have the Government buy

them. If you ever get to a place where our Government is going to take in individual crops, or any dozen crops, and let the Government do the financing of them, and let the Government take care of the surpluses so the farmers can make money out of them, I am going to get out of the crops—I am in and I am going into those things as long as the Government money lasts. But the money will not last long.

In regard to the proposition of the surpluses, the easiest thing in the world is to shut out surpluses. Every other country in the world does it.

I read in the paper this morning that Italy, in order to protect her wheat farmers, is putting a tariff of 20 cents a bushel on durum wheat. Every other country in the world has learned the protective system, and they learned it from the United States, because the United States is the birthplace of the protective principle.

The trouble is we have forgotten it so far as agriculture is concerned, but we have not forgotten it as far as other lines of business are concerned.

If we were to go to work, for instance, and make a tariff that is protective in reality and not only in name, and put that kind of a tariff on farm products, or competitive farm products, the day is saved for us.

But of course there is a difference between talking about it and doing it, and the farmers have not all to say about it. Our good friends, the business interests, and our good friends, the banking interests, and our other good friends, the transportation interests, are interested in it for themselves. They like to see lots of transportation, and you can not ship enough of those products to and from foreign countries to suit the transportation interests.

So far as the bankers are concerned, you can not do too much foreign exchange to suit them, and you can not do too much foreign trade to suit the business men. The more stuff that is shipped the better it suits them.

So far as the manufacturing interests are concerned, they realize that the export trade on the present basis can not be maintained without the importation of competitive farm products. That is one point that is entirely overlooked in the consideration of this matter.

The farmer has no chance until we can find some kind of stuff that can be imported into the United States that will not hurt the manufacturer or the farmer. But unfortunately there are no such products, except such as we are already importing to the saturation point, such as coffee and tea, and other similar noncompetitive products.

But it is impossible to go on the basis of reducing our export trade so we can reduce our imports of farm products because the manufacturers, who are pretty well in the saddle in governmental affairs, have their business organizations, and they say they must export in order to exist.

As a matter of fact, they do not need to, because the home trade is 90 per cent of the business anyway. But they want to export what they have to sell and they want to import what the American farmer would otherwise sell. They want the imports to pay for the exports because there is no way of paying for the exports except by the imports.

The various foreign countries to-day owe the United States Government and private investors something like $30,000,000,000, and they are now planning, under the reparations plan, to owe us another five or ten billions. And $30,000,000,000 at 5 per cent interest makes one and one-half billion dollars, which means more competitive farm imports.

There is only $5,000,000,000 worth of gold in the rest of the world, and our exports must be paid for by the imports, and therefore we must reduce our exports in order that we can reduce our imports, otherwise the manufacturing industries will lay so much stress on the fact that the goods must be paid for that they will force us to raise the amount of imports whether we like it or not.

A lot of live business organizations in the United States to-day are making plans in order to remove the obstacles from the importation of raw materials in order to develop their export business.

According to the report of one of the biggest business organizations in the United States, that is to be done, the report is to that effect, and that announcement was made only as long ago as the 1st of this last January. That is their plan.

You might as well face the music and know the situation, and when you know the situation you can guide your legislation accordingly.

The practical way to handle the matter is to distribute the load over all classes of competitive imports and reduce the competitive imports to a certain extent. I do not mean to reduce them by picking out a particular article and saying so much shall come in. That will not work.

Let us do it by making a horizontal tariff. We have the Fordney tariff law as it is, and we might let that stand, or if you decide to modify it, after you get through modifying it you have a worse tariff bill than you had before, any way.

When the Fordney tariff bill was enacted that was going to protect the American farmer, and what did it do?

We were converted from an export nation so far as agriculture is concerned to an import nation.

As a matter of fact, one tariff bill is about as good as another, and unless you have a supplemental tariff of a flexible nature there will not be any benefit from it.

With all the farm disasters in seven years there were just seven articles on which the tariff was increased. We increased the tariff on wheat and decreased it on mill feed. We increased it on Swiss cheese, and it did not even take in Limburger. We increased the tariff on tomatoes and cherries, peanuts and straw hats, and that was about everything you could possibly attribute to agriculture, where the tariff was raised in seven years, while we had this farm disaster, and while the Fordney bill was in existence, under the flexible tariff.

With all our experiences in connection with the flexible tariff, I am still strong for a flexible tariff, and I believe the responsibility ought to be put on one man, and that man the President. Let him have a flexible tariff law with all the latitude that is necessary so that the flexible tariff will work.

We will say, for instance, we want to reduce the competitive imports by 50 per cent. I do not know what percentage it would take

to do that, but let us assume it would take a supplementary tariff of 25 per cent, and let us put on a 25 per cent ad valorem tariff, on a horizontal basis, and let that be supplemental to the present tariff, and if we find by the working of that tariff that 50 per cent of the agricultural imports are shut out, let it stay that way, if 50 per cent is enough, and I think it will be enough.

But if we find it shuts out only 25 per cent, then raise it to 35 per cent. If you find that 25 per cent shuts out 90 per cent, then cut it down to 15 per cent. But let us have the operation of that flexible tariff and if we make it horizontal, so it will help all products, then we will get a benefit from it.

Let everybody pack part of the load, and it will not be much of a load to pack by the other industries.

After you have worked on that emergency basis, as soon as the farmer is on a sound financial basis, and as soon as the emergency tariff can be taken off, then let us take it off.

If you find that there are some articles that the tariff does not fit, then let the responsibility be upon one man in the country that the farmers have confidence in, and I say it deliberately that the farmers of the United States have complete and full confidence in the desire and sincerity of President Hoover along that line, and we ought to help him carry out his purpose.

Mr. CLARKE. Did you vote for him?

Mr. HORST. I did not. My choice happened to be the other way. I felt possibly that the farmer would be better off by voting the other way, and I voted for the other candidate, although there were some other interests which influenced my vote, which I do not care to mention. But you can guess.

I think I have covered the general outline of the plan. This horizontal tariff can be put over overnight. You can have your special session of Congress beginning on the 15th of April, and you can go home on the 20th, and you will have accomplished something. But if you keep on with this flubdub stuff of stabilization and that kind of stuff, you are going to waste your energies until next fall, and you will have accomplished nothing that is worth anything.

Mr. WILLIAMS. I do not know that I have any questions to ask the witness, but I might suggest this: I think there is much merit in your statement, but it should be addressed to the Committee on Ways and Means, because this committee has no jurisdiction whatever in tariff matters.

Mr. HORST. I am glad you raised that point. I had that same discussion with another gentleman, and I told him this: When the farmers are in distress the first place to go is to the Secretary of Agriculture. When you can not get anything out of him, then we go to the House Committee on Agriculture, and if we can not get anything out of them then we go to the Senate committee, and if we can not get anything out of them then we go home.

If the plan I have outlined to you has any merit in it at all, if you see any merit in it, it seems to me it is the business of the House and Senate Committees on Agriculture to go to the Committee on Ways and Means and to go to the Senate Finance Committee and tell them the situation and tell them what has got to be done. It is an agricultural matter and not a matter of raising revenue or a matter

of spending revenue. We do not care how you raise the money or how you spend it. We are looking for farm relief, irrespective of the finances involved.

Mr. WILLIAMS. I think there is much merit in what you have said, but this committee is wholly without jurisdiction to go into those matters in the way of formulating legislation.

Mr. HORST. I admit you do not formulate that kind of legislation, but surely if the Agricultural Committee functions on proper lines, the members of that committee would tell to every other committee of the House what has to be done to save the farmer.

The CHAIRMAN. I might suggest, Mr. Horst, that you take that matter up with the Committee on Ways and Means. That is a matter that the Committee on Ways and Means has jurisdiction of. This committee does not have any jurisdiction over it. I would suggest that you confer with Mr. Hawley on the matter. I think Mr. Ramseyer is the chairman of the subcommittee on agriculture. Now, I want to ask you one question: Do you not think that the tariff could be made effective?

Mr. HORST. Of course it can be made effective, and it must be made protective.

The CHAIRMAN. You agree that on some things it is not being made effective now. You referred to the tariff on wheat.

Mr. HORST. I am not going to discuss the separate items. I take that position because we have 350,000,000 acres of plow lands in the United States and we need 350,000,000 acres of plow lands to feed and clothe the American people. We have a legitimate export demand for some products, and we are bound to export a part of them. Consequently, we can import of agricultural products to the extent that we export them, but when we import more than to that extent, we are creating a surplus, and it is the surplus from which we are suffering.

The CHAIRMAN. I heartily agree with your statement, except that I think we could and should make the tariff effective.

Mr. LARSEN. In that connection, I would like to make this observation: Many of you agree that this gentleman is correct. I do not know, but if he is, I would conclude that the gentleman has, in a sense, come to the right place. As a committee perhaps we ought not do anything. If he is correct, we ought at least to take into consideration what he has said, and, as Members of Congress, function to the end that we attempt to see that the Ways and Means Committee consider the suggestion and that Congress put the plan into operation.

Mr. HORST. May I say before closing that I will be in Washington for a few days. I will stay here as long as you want me to and will work on this thing. I am ready to work. I am ready to work for nothing. I am working in my own interests, because if farm prosperity can be brought back, I will be amply repaid for my efforts. I will be at your service, and I thank you very kindly for your attention.

(Thereupon, at 5.15 o'clock p. m., the committee went into executive session, after which it adjourned to meet to-morrow, Friday, March 29, 1929, at 10 o'clock a. m.)

HOUSE OF REPRESENTATIVES,
COMMITTEE ON AGRICULTURE,
Wednesday, March 27, 1929.

STATEMENT OF GEORGE SHIBLEY, DIRECTOR OF THE RESEARCH INSTITUTE, WASHINGTON, D. C.

The CHAIRMAN. Mr. Shibley, we will hear you now.

Mr. SHIBLEY. Mr. Chairman and gentlemen of the committee, I am an independent economist. I am operating through the Research Institute, which I have financed myself. That is the organization through which I operate.

In fact, I am a philanthropist. I have been here for 28 years, in the city of Washington, representing the idea of restoring equal rights in private enterprise, and of restoring representative government in place of machine rule. That is precisely what President Hoover stands for, and I wish to present President Hoover's program in detail, and in doing so——

Mr. ASWELL (interposing). You must give us the evidence of that. I make the point of order that the gentleman has no right to appear before this committee and say he represents President Hoover unless he proves it.

Mr. SHIBLEY. That is what my statement is for. But the rule you have adopted does not apply to the way I have my statement arranged. I have here verbatim statements of what President Hoover has said, and therefore I propose that my statement be published in the record and that I be permitted to bring out the high points without their being taken in shorthand, in order that we have a consecutive statement, complete.

The CHAIRMAN. How extensive is your statement?

Mr. SHIBLEY. There is a good deal of it here.

The CHAIRMAN. There is a limit to the amount of printing that this committee may do.

Mr. SHIBLEY. It is a matter that I have been working on for seven years.

The CHAIRMAN. It looks as if you had several hundred pages there.

Mr. SHIBLEY. No; there are only about a hundred pages.

The CHAIRMAN. The committee will pass on that.

Mr. CLARKE. Do I understand that this statement applies to farm relief?

Mr. SHIBLEY. To farm relief wholly.

Mr. KINCHELOE. I am not going to agree to put all that in the record. It would cost a lot of money to print that, and I do not think the committee ought to put the Government to that expense to have printed this Utopian dream.

The CHAIRMAN. The chairman has been charged with the responsibility of deciding what shall go in.

Mr. JONES. Is this whole hundred pages an elaboration of Mr. Hoover's plan?

Mr. SHIBLEY. Yes.

Mr. ASWELL. The direction given the program committee was to arrange the time, and we gave this gentleman 30 minutes.

The CHAIRMAN. We are to decide whether this matter shall be printed or not. You may proceed.

Mr. SHIBLEY. Mr. Chairman, I am a liberal economist, and I stand for equal rights in private enterprise. President Hoover is a liberal economist. I desire to present to this committee and for the record his program for agricultural relief.

Mr. ASWELL. Where did you get that?

Mr. SHIBLEY. President Hoover in his speech of acceptance, at the outset, opposed the radicalism which had been dominant in Congress; and he opposed the radicalism of the farmer leaders; and he opposed in later parts of his speech of acceptance the reactionism which President Coolidge had been expressing.

President Hoover's constructive proposals are all liberal economics, namely, a program to restore equal opportunity in private enterprise, on the basis of national self-regulation, in connection with protection of minorities and of the public by Government supervision.

I proceed to quote President Hoover on each of the propositions which I have stated.

The radicalism in Congress and by the farmers' leaders he described in the following words:

> The World War released ideas of government in conflict with our American principles.

Later, in his speech of acceptance, he added:

> The differences of opinion as to both policies and remedy for agricultural relief have retarded the completion of a constructive program for agricultural relief. It is our plain duty to search out the common ground on which we may mobilize the sound forces of agricultural reconstruction.

That is President Hoover's constructive proposition—to search out the sound forces for agricultural reconstruction.

Just what does he mean in saying "sound forces of agricultural reconstruction"?

It means to lay aside the radicalism which was in the McNary-Haugen bill; the plan to raise the prices of the stable agricultural products above the international price level, while not reducing the excessive profits of the organized business interests and bankers.

The farmers' troubles include legalized robbery by the organized business interests and bankers, as we presently will prove. President Hoover stands for equal opportunities to all. That is liberalism in contrast with the existing radicalism. President Hoover stands for regulated competition, on the basis of equal rights in private enterprise, to result in the reign of law and justice, and an unprecedented prosperity, world-wide.

President Hoover opposes, too, the reaction which marked President Coolidge's administration, and which has resulted in the need for agricultural relief. And President Coolidge said not one word in support of Mr. Hoover's candidacy until after Mr. Hoover had concluded the campaign, in his speech at St. Louis. Then President Coolidge heartily approved Mr. Hoover's liberal program, a program to restore equal rights in private enterprise.

The morning after the election Mr. Hoover said to the American people: "There has been a vindication of great issues and a determination of the true road of progress." His meaning as to "the true road of progress" is the restoration of equal rights in private enterprise.

Mr. CLARKE. I do not see that this has anything to do with farm relief or surplus control. It is purely political propaganda, and I do not think it ought to be allowed to go into the record. We have

a limited time to consider farm relief, and I am going to make a point of order against this.

Mr. SHIBLEY. This is introductory.

The CHAIRMAN. Do you claim to represent Mr. Hoover?

Mr. SHIBLEY. No, sir; but I am going to quote verbatim what he said.

The CHAIRMAN. Outside of that I do not think it is necessary to put that in the record. As far as placing Mr. Hoover in the attitude of taking issue with these so-called bolsheviks is concerned, I do not think that is necessary. That is for the committee to determine.

Mr. CLARKE. It is not within our rule.

Mr. ASWELL. Just a moment. This gentleman appeared before the committee on program and we gave him a hearing, and we decided to give him 30 minutes; and I insist that he have his 30 minutes right now.

Mr. CLARKE. I repeat my point of order. He is not addressing himself to the subject of farm relief, which is what the committee has been brought here to consider.

Mr. ASWELL. Nobody has as yet, up to date.

Mr. SHIBLEY. I am coming to that directly.

The CHAIRMAN. Are you going to discuss the question of farm relief?

Mr. SHIBLEY. Certainly; I am right up to it now.

Constructively stated, President Hoover stands for liberal economics; namely, equal rights in private enterprise.

First, he proposes self regulation of agriculture by means of the forthcoming Federal farm board. It is to be a system somewhat similar to the existing system of self-regulation of the bankers and of the business interests. His words in his speech of acceptance are as follows:

> During my term as Secretary of Commerce I have steadily endeavored to build up a system of cooperation between the Government and business. Under these cooperative actions all elements interested in the problem of a particular industry, such as manufacturer, distributor, worker, and consumer have been called into counsel together, not for a single occasion but for continuous work. These efforts have been successful beyond any expectation. They have been accomplished without interference or regulation by the Government.

I wish to inject here that beginning in 1926 the Federal Trade Commission began supervising the self-regulation of the business interests.

Continuing in his speech, Mr. Hoover said:

> They—

That is, these self-regulations by the business interests—

> have secured progress in the industries, remedy for abuses, elimination of waste, reduction of cost in production and distribution, lower prices to consumers, and more stable employment and profit.

And he continued:

> While the problem varies with every different commodity and with every different part of our great country, I should wish to apply the same method to agriculture, so that the leaders of every phase of each group can advise and organize on policies and constructive measures. I am convinced that this form of action, as it has done in other industries, can greatly benefit farmer, distributor, and consumer.

Thus has President Hoover proposed for agriculture a system of self-regulation, which is to be in connection with Government supervision for the public's protection. Government supervision exists in

connection with the self-regulation by the business interests and by the bankers, and it will have to exist in connection with the self-regulation in agriculture.

This proposal by President Hoover is liberal economics, as we proceed to outline it, for it includes relief from excessive prices and profits by the business interests and by the bankers.

That is, President Hoover in his speech of acceptance and other speeches declared for equal rights in private enterprise, to result in a system of regulated competition, so that the people shall "walk in ordered freedom, in the independent conduct of their occupations." (New York City speech.)

Thus President Hoover outlined the return to a system of regulated business interests, and of regulated bankers.

Constructively stated, President Hoover in his speech of acceptance declared as follows for the relief of the farmer families:

The working out of agricultural relief constitutes the most important obligation of the next administration. I stand pledged to the following proposals:

"The object of our policies is to establish for our farmers an income equal to those of other occupations; for the farmer's wife the same comforts in her home as women in other groups; for the farm boys and girls the same opportunities in life as other boys and girls. So far as my own abilities may be of service, I dedicate them to help secure prosperity and contentment in that industry where I and my forefathers were born and nearly all my family still obtain their livelihood."

This pledge by President Hoover is ideal.

Toward the close of this same speech of acceptance he restates it in broader terms. He says:

There is one of the ideals of America upon which I wish at this time to lay especial emphasis, for we should constantly test our economic, social, and Governmental system by certain ideals which must control them.

The founders of our Republic propounded the revolutionary doctrine that all men are created equal and all should have equality before the law. This was the emancipation of the individual.

And since these beginnings, slowly, surely, and almost imperceptibly, this Nation has added a third ideal almost unique to America: The ideal of equal opportunity. This is the safeguard of the individual. The simple life of early days in our Republic found but few limitations upon equal opportunity. But by the crowding of our people and the intensity and complexity of their activities it takes to-day a new importance.

Equality of opportunity is an inherent right of every American—rich or poor, foreign or native born, irrespective of faith or color. It is the right of every individual to attain that position in life to which his ability and character entitle him.

By its maintenance we will alone hold open the door of opportunity to every new generation, to every boy and girl. It tolerates no privileged classes or castes or groups who would hold opportunity as their prerogative. Only from confidence that this right will be upheld can flow that unbounded courage and hope which stimulates each individual man and woman to endeavor and to achievement. The sum of their achievement is the gratitude harvest of national progress.

This ideal of individualism, based upon equal opportunity to every citizen, is the negation of socialism.

It is the negation of anarchy.

It is the negation of despotism.

It is as if we set a race. We through free and universal education provide the training of the runners; we give to them an equal start; we provide in the Government the umpire of fairness in the race. The winner is he who shows the most conscientious training, the greatest ability, and the greatest character.

Socialism bids all to end the race equally. It hold back the speedy to the pace of the slowest.

Anarchy would provide neither training nor umpire.

Despotism picks those who would run and those who should win.

Conservative, progressive, and liberal thought and action have their only real test in whether they contribute to equal opportunity, whether they hold open the door of opportunity. If they do not, they are false in their premise, no matter what the name.

It was Abraham Lincoln who firmly enunciated this ideal as the equal chance.

The Sherman law was enacted in an endeavor to hold open the door of equal opportunity in business. The commissions for the regulation of public utilities were created to prevent discrimination in services and prevent extortion in rates, and thereby the destruction of equal opportunity. Equal opportunity is a fundamental principle of our Nation. With it we must test all our policies. The success or failure of this principle is the test of our Government.

This is the liberal program, the ideal of equal opportunity.

I now summarize President Hoover's program for agricultural relief:

PRESIDENT HOOVER'S PROGRAM

It is self-regulation in agriculture by means of the forthcoming Federal farm board, and self-regulation by the business interests and by the bankers, all of it to be in connection with the protection of minorities and of the public by Government supervision.

AMERICAN LIBERAL PROGRAM FOR 1929

This system is industrial democracy, in connection with what is to be political democracy, as soon as there is a restoration of representative government in place of the existing trick system of machine rule. And the American Federation of Labor at its last annual meeting decided to start a movement to revise the rules of procedure in both Houses of Congress so as to end the existing dictatorship of special interests in Congress. Also, at the recent hearings as to the protective tariff I proposed an additional two titles to the tariff act for ending the excessive tariff protection. And President Hoover has proposed the ending of the excessive concentration of wealth. Less than 1 per cent of those who in 1924 paid an income tax paid 78 per cent of the said tax. (National Industrial Conference Board, release No. 112, February 21, 1927.) Here is indisputable evidence as to the extreme form of our concentration of wealth. In the British Isles the Liberal Party has declared for the ending of the excessive concentration of wealth. It is a necessity in order to restore full-time employment. And by ending the concentration of wealth the United States will then cease to dump commodities abroad, thereby restoring to Europe and the other countries their fair share of the world's trade. It will end the existing world-wide industrial crisis, which is acute and dreadful.

I have presented the American liberal program for 1929.

THE PROPOSED MECHANISM AS TO AGRICULTURE

The mechanism to which President Hoover is committed is the proposed Federal farm board, to consist of direct representatives of the farmers. President Hoover in his closing speech in the campaign, at St. Louis, stated in detail just what he proposes for the farmers' self-regulation in agriculture, but without specifying just how the public is to be protected. He said:

In addition to the tariff on farm products and cheaper waterway transportation in assistance to agriculture, the Republican Party proposes to go further.

It proposes to set up an institution which will be one of the most important institutions in our Government, designed to meet not only the varied problems which confront us to-day but those which may arise in the future.

We propose to create a Federal farm board composed of men of understanding and sympathy for the problems of agriculture; we propose that this board shall have the power to determine the facts, the causes, and the remedies which should be applied to each and every one of the multitude of problems which we may mass under the general term "the agricultural problem."

This program further provides that the board shall have broad authority to act and be authorized to assist in the further development of cooperative marketing; in the elimination of waste in distribution, and in the solution of other problems as they arise. But in particular the board is to build up with initial advances of capital from the Government farmer-owned and farmer-controlled stabilization corporations, which will protect the farmers from depressions and the demoralization of summer and periodic surpluses.

It is proposed that this board shall have placed at its disposal such resources as are necessary to make its action effective.

Thus we give to the Federal Farm Board every arm with which to deal with the multitude of problems.

This is an entirely different method of approach to solution from that of a general formula; it is flexible and adaptable.

No such far-reaching and specific proposal has ever been made before by a political party on behalf of any industry in our history. It is a direct business proposition. It marks our desire for the establishment of the farmer's stability and at the same time maintain his independence and his individuality.

This plan is consonant with our American ideas to avoid the Government operation of commercial business, for it places the operation upon the farmer himself, not upon a bureaucracy. It puts the Government in its real relation to the citizen—that of cooperation. Its object is to give equality of opportunity to the farmer. I would consider it the greatest honor I could have if it should become my privilege to aid in finally solving this most difficult of economic problems presented to our people and the one in which by inheritance and through long contact I have my deepest interest.

In brief, it is self-regulation of competition in agriculture for the Nation; and, as we have said, there must be applied in connection therewith Government supervision by means of a forthcoming Federal agricultural commission, in which the President's Secretary of Agriculture should be the commissioner, aided by an assistant commissioner of agriculture.

President Hoover in his speech of acceptance specifically used the words that are the equivalent of self-regulation, saying:

So that the leaders of every phase of each group in agriculture can advise and organize on policies and constructive measures.

This means self-regulation in agriculture, nation-wide. And the nation-wide body is to be the Federal farm board.

Now, President Hoover has declared how this Federal farm board should be constituted. I will say this, that the real purpose of this Federal farm board is for self-regulation by the farmers themselves, and not simply by a Government commission. It must be operated in connection with a Federal Agricultural Commission. In other words, there must be founded an agricultural commission to protect the public, in connection with the farmers' self-regulation of competition. There must be an organization to represent the farmers, and another organization to represent the public. Therefore, you must reconstruct the Federal farm board, as President Hoover proposes.

Regulation of Crop Acreage

Now, on this crop acreage question, under President Hoover's program, there will be self-regulation by the Federal farm board. That will solve the crop-acreage question.

The board will have broad powers, including the power to regulate the crop acreage, and this is the most important element in the self-